

COMBATING INTERNATIONAL DRUG CARTELS: ISSUES FOR U.S. POLICY

REPORT

PREPARED BY THE CONGRESSIONAL RESEARCH SERVICE,
LIBRARY OF CONGRESS, ON A SEMINAR
HELD ON MAY 8, 1987

FOR THE
CAUCUS ON INTERNATIONAL NARCOTICS
CONTROL
OF THE
UNITED STATES SENATE



SEPTEMBER 1987

Printed for the use of the Caucus on International Narcotics Control

U.S. GOVERNMENT PRINTING OFFICE

WASHINGTON : 1987

76-059

SENATE CAUCUS ON INTERNATIONAL NARCOTICS CONTROL

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LETTER OF SUBMITTAL

CONGRESSIONAL RESEARCH SERVICE,
THE LIBRARY OF CONGRESS,
Washington, DC, July 23, 1987.

Hon. JOSEPH R. BIDEN, Jr.,
Chairman, Caucus on International Narcotics Control
and

Hon. ALFONSE M. D'AMATO,
Cochairman, Caucus on International Narcotics Control, U.S.
Senate, Washington, DC.

DEAR CHAIRMEN: I am pleased to submit an edited transcript of a CRS-sponsored seminar on "Combating International Drug Cartels: Issues for U.S. Policy."

In response to your request, CRS invited a number of distinguished scholars and policymakers to present their views on this issue and to suggest possible U.S. policy responses. Raphael F. Perl of the Foreign Affairs and National Defense Division arranged and moderated the seminar and prepared the transcript for publication. The CRS administrative coordinator for the seminar was Linda Cox. Scott Green and John Bentivoglio of the Senate International Narcotics Control Caucus provided valuable conceptual contributions and assistance in the preparation and execution of this project.

I believe that this presentation of the views of leading experts will contribute to our knowledge of this important subject.

Sincerely,

JOSEPH E. ROSS, *Director.*



FOREWORD

U.S. SENATE,
CAUCUS ON INTERNATIONAL NARCOTICS CONTROL,
Washington, DC, August 1, 1987.

Vice President GEORGE BUSH,
President of the Senate, Capitol Building,
Washington, DC.

DEAR MR. PRESIDENT: We are pleased to submit this report prepared by the Senate Caucus on International Narcotics Control and the Congressional Research Service on "Combating International Narcotics Cartels: Issues for U.S. Policy."

The Senate Caucus on International Narcotics Control is charged with periodically reporting to the Senate on matters relating to issues within its jurisdiction. At our request, the Congressional Research Service assembled a panel of experts to examine one aspect of the international narcotics control problem, major drug trafficking cartels. The panelists presented their views on the nature of the problem, and the effectiveness of current U.S. policy on combating major drug trafficking organizations. This report includes an edited transcript of the proceedings; the international narcotics control strategies developed by the National Drug Policy Board, and the Federal Bureau of Investigation; and other relevant background materials.

Stemming the international flow of narcotics and other dangerous drugs is a major foreign policy issue. The President, and more recently the Congress, has recognized the size and nature of this problem by declaring drug trafficking to be a national security threat. The enormous profits generated in the underground economy of the international drug trafficking market allow "narco-terrorists" to hire and equip armies, buy elections, and intimidate governments. As a result, drug traffickers pose a direct threat to the political and economic stability of many Latin American governments.

Major international drug cartels are primarily responsible for the production and transportation of narcotics into the United States and other countries, particularly cocaine and heroin. The Medellin Cartel, the largest cocaine trafficking syndicate in the world, is estimated to earn \$7 billion annually from its illicit dealings in the United States. More than two-thirds of the \$30 billion annual cocaine trade is directly controlled by a handful of sophisticated, well-organized criminal syndicates.

Combating these cartels poses formidable problems to U.S. and foreign law enforcement agencies. David Westrate, the Assistant Administrator for Operations at the Drug Enforcement Adminis-

tration, described these cartels as extremely sophisticated entities, armed not only with an extraordinary capacity for violence, but also with lawyers, accountants, bankers, couriers, and in some instances, cooperative government officials. In addition, the limited reach of U.S. laws and our increasing dependence on the cooperation of foreign governments restricts the ability of U.S. enforcement agencies to pursue international drug traffickers.

Operational constraints are not the only handicaps in investigating and prosecuting international drug kingpins. Political obstacles, particularly the perception that a heavy-handed United States is intervening in the domestic affairs of a foreign nation, hamper the ability of foreign governments to cooperate with U.S. narcotics control efforts. Anne Wroblewski, Assistant Secretary of State for International Narcotics Matters, described these obstacles during the seminar. Carlos Pujalte, legal adviser at the Mexican Embassy to the United States, also provided a unique perspective, explaining many of the political impediments to more effective cooperation between the United States and Mexico.

Finally, Peter Reuter, a senior economist with the Rand Corp. provided a thorough economic analysis of the international narcotics market. This analysis shed light on the structure of the international drug cartels, the relationship between buyers and sellers, the effect of law enforcement operations on the price and availability of illicit narcotics, and the cost-effectiveness of current U.S. policy.

We would like to thank the Congressional Research Service for its assistance in preparing this seminar. These proceedings provide a broad range of views on U.S. policy regarding international narcotics control, and should prove useful to the Congress in fulfilling its oversight role on this important foreign policy issue.

Sincerely,

JOSEPH R. BIDEN, Jr.,
Chairman.

ALFONSE M. D'AMATO,
Cochairman.

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REMARKS OF RAPHAEL PERL, SPECIALIST IN INTERNATIONAL
NARCOTICS POLICY, CONGRESSIONAL RESEARCH SERVICE

Welcome and Overview of Issues

Mr. PERL. Good morning. I am Raphael Perl, from the Congressional Research Service, and I am your moderator today. On behalf of the Service and on behalf of the Senate International Narcotics Control Caucus I would like to welcome you to today's seminar, "Combating International Drug Cartels: Issues for the Congress."

Our goal today is to draw on the extensive knowledge and diverse viewpoints of all of our panelists and of you, our seminar participants. We also aim to provide the Congress with a transcribed and edited record of the seminar's proceedings to serve as a source of valuable background and analytic information on the issue of combating international drug cartels.

We have provided the panelists with a list of questions to help with the overall focus of the subject matter of today's seminar. We also ask you, the seminar's participants, to keep these questions in mind when you offer your questions and comments. These questions include:

No. 1: Who and what constitute the cartels and how significant is the overall role of their activities?

No. 2: What is current U.S. policy for countering the activities of these organizations?

No. 3: What tactics or mix of tactics against them seem to be most promising?

No. 4: Do effective tactics vary from country to country, from organization to organization?

No. 5: What factors in foreign countries limit the effectiveness of U.S. efforts?

No. 6: What factors in the U.S. limit the effectiveness of such initiatives?

And, finally, what are the implications of all of the above for U.S. international narcotics policy and U.S. foreign policy.

Our panel today consists of: David Westrate, Assistant DEA Administrator for Operations. Mr. Carlos Pujalte, Legal Adviser of the Embassy of Mexico. Peter Reuter, Senior Economist and narcotics policy analyst at the Rand Corporation. And Ann Wroblewski, Assistant Secretary of State for International Narcotics Matters.

I note as well the presence of Caucus Co-chairman D'Amato and Senator DeConcini, both familiar and respected leaders in the congressional war on drug trafficking.

Our first speaker will be Dave Westrate. He will set the stage for us and discuss the nature of the problem from a law enforcement perspective. He will be followed by Mr. Pujalte, Mr. Reuter, and Ms. Wroblewski, each of whom will present a particular perspective or combination of perspectives on the problem.

After approximately an hour of panel presentations we plan to take a brief break and then proceed with questions and comments. I thank you, and I turn the panel over to Dave Westrate.

PREPARED REMARKS OF DAVID L. WESTRATE, ASSISTANT ADMINISTRATOR FOR OPERATIONS, DRUG ENFORCEMENT ADMINISTRATION

Characteristics of Drug Cartels

Mr. WESTRATE. Good morning. I would like to spend a few minutes to discuss what we at DEA mean when we talk about a cartel. The word "cartel" is a broad term. When speaking of cartels, we have to keep in mind that drug trafficking is a complex operation. Involved are multiple geographies, multiple types of people, and because of the different drugs involved, the mechanics vary widely.

A number of characteristics tend to be consistently present at the cartel level of drug operations. First, one of the common characteristics we find is that the people who are in the drug business are in it on a full-time basis. The drug business, like any other business, is run like an occupation, all day long, all week long, all year long.

Second, international drug operations are highly organized. Operation Pisces, about which I will speak shortly, will illustrate just how organized one has to be to operate one of these cartels. Drug cartels operate almost like a corporate structure. Much of the activities of the cartels are supported by, or dependent upon, corruption in various forms. Such corruption can run the gamut from a DEA agent who may be protecting traffickers or selling drugs, to a businessman who may be looking the other way as funds flow through a bank or a financial institution.

Generally speaking, in a drug cartel, the upper echelon is the only point at which the entire scope of these operations are known and understood. Because it is involved in criminal activity compartmentalization is a necessary element. Most cartels are in business to make money. Very few of these major activities have a political or a social motive. However, there are examples where this activity spills over into the political arena—into terrorism. One hears the expression "narcoterrorism" a lot. Examples of such groups are the M-19 in Colombia or what is called the FARC in Colombia. In Colombia, operations of these groups are based more on a marriage of convenience and do not constitute huge trafficking operations underway in support of a political agenda. Many cartel groups use terrorist tactics, but their primary motivation is to make money.

Drug cartels also can control an aspect of illicit narcotics traffic, or they can control the entire operation. The Medellin cartel, which dominates the Colombia-United States cocaine trade, controls everything from the field and the farmers all the way through to the distribution systems in the United States. However, there are some very strong organizations that only have a piece of the action, for example, transportation; whose operations are so extensive that I would refer to them as a cartel or a major organized group.

Obviously, a cartel must have significant amounts of drugs, significant amounts of money, and must operate at the wholesale level of drug activity.

We see a division of labor in the drug cartel. There are financiers, wholesalers, cultivators in some cases or conversion people, pilots, people who would run boats, and almost always there must be an aspect devoted to legal support. A group engaged in large-scale criminal activity cannot function without legal support from lawyers of some type.

We find that cartels are very flexible and are able to adjust quickly to law enforcement activities. For example, a shift from transportation by vessel to transportation by private air can be done fairly quickly.

Also, we find that these cartels are ethnically organized and/or family organized to a great extent. This seems to be a common characteristic and I think it is stimulated by the need for trust and bond in order to be able to pursue these activities.

Characteristics of Cocaine Cartels

Let us turn for a minute and talk about cocaine cartels because I think right now they are probably the most visible and most commonly understood. The Colombian cocaine cartels fit most of the patterns that I have discussed. The leadership is family-oriented in Colombia, and we believe there are 5 families in Colombia.

A lot of activity crosses between these organizations. When one hears common names like Pablo Escobar or the Ochoas one should not think of these people as being totally isolated. They cooperate. They exchange loads. They exchange experts.

Two of the people whom we arrested in the Pisces operation this week handled money laundering on behalf of several of these organizations. These organizations are not necessarily organizationally intertwined, and one would not necessarily draw an organizational diagram that includes them both, I think one has to consider the fact that they do interrelate one with the other in a supportive way.

These cartels, as I said, control the entire spectrum of illicit cocaine operations. They control production, some of it in Colombia. They have middlemen who purchase base paste from Peru, from Bolivia, and from other sources. They have extensive processing facilities. They have extensive transportation facilities, and they clearly fit the pattern I described earlier.

One of the key elements associated with these organizations is violence that is utilized to perpetuate the cartel's objectives. In illicit cocaine operations violence is probably the most visible.

The Colombian legal system at this point in time, has been intimidated by the trafficking groups through violence. The Minister of Justice of Colombia, the former Minister of Justice, was assaulted and shot in Hungary. Senior police officials have been killed and numerous judges have been killed and attacked in Colombia. So violence is (particularly for the cocaine cartels) a way of doing business. Violence is a daily tool of the trafficker which is used on a continuing basis.

Violence is not limited to illicit cocaine operations. It also flows from the retail street level of the drug trade. In any city in America, a lot of violence is associated with drugs. It can be something as simple as a dispute over quality or price or territory.

Money Laundering "Sting": Operation Pisces

One of the most critical things that these major cartels have to deal with is profits, and more specifically, cash money. In the United States—the principal consuming nation—cash is a problem for the trafficking operations. It takes an entire organized complex operation to handle cash money. Operation Pisces, which was terminated this week, is illustrative of the importance of handling cash money to one of these organizations.

What we did in Pisces was to provide a service to the cartels which moved cash money. I think the notion of moving money as opposed to laundering money is a little more accurate here. When you move money, the more steps that you move it the cleaner it gets, so to speak. DEA was not in this operation to take money and convert it into other things and hide it necessarily. We were hired for the purpose of moving cash out of the United States.

This operation lasted 3 years. The difficulty of running an operation like this lies in accomplishing enforcement objectives while at the same time perpetrating the operation and allowing it to continue. So what we did was to provide a money moving service, and then using other enforcement techniques—sophisticated surveillance, considerable manpower both Federal, State and local—we were able to pursue these investigations and seize the drugs associated with these transactions. We also were able to seize sizeable assets in such a way that the operation itself was not exposed. This was very difficult to do, but we did it quite successfully.

There are a lot of money launderers out there. We were not an exclusive by any means. There are probably a dozen, perhaps 20, or 30 groups out there that are doing this for cocaine money.

During 3 years of operation Pisces, we seized 19,000 pounds of cocaine. We moved or laundered, whichever term you prefer, \$116 million—almost all of it cash money. Of the 116-million that we moved, we seized \$49 million. That was prior to the termination of the operation. Also during the three years we arrested 351 defendants, most of whom have been prosecuted in State and local courts.

Also since we terminated Pisces on Friday we seized an additional \$21 million worth of assets: \$1.5 million in New York, \$900,000 in Los Angeles, \$56,000 in Miami, and \$8 million from Panamanian accounts. The first day alone, we attached 56 accounts, and the number I am sure has grown significantly.

We seized \$5.6 million of cash money here in the U.S. that was in the process of being moved by us. We seized \$3.5 million worth of emeralds in Florida, a \$200,000 aircraft, an \$800,000 helicopter, and a \$1 million Gulfstream 1000 aircraft. In addition, we confiscated 600 pounds of cocaine and made new arrests of 76 people.

Now one could view this list as a snapshot of any weekly activity of one money laundering operation in the United States pertaining to only one drug, cocaine. Of course, I would be quick to add that cocaine is obviously our major drug problem at this point, but these

numbers I think will give some indication of the magnitude of what I am talking about.

Also, a lot of this criminal activity was conducted by the traffickers utilizing sophisticated technology—beepers, radiophones, etc.

Characteristics of Non-Cocaine Trafficking Groups

Colombian marijuana traffickers are not all that much different from the cocaine traffickers except the product is different. Because the traffickers find themselves dealing in great bulk the most commonly utilized method of transportation for marijuana is private vessels. Also, one finds a different system of off-loading; it takes more people and it probably takes a little more planning. Because a boat takes longer to get here, it is easier to catch by law enforcement as we have more time to target it. An aircraft moves very fast and is very difficult to intercept. Nevertheless, despite some differences, marijuana traffickers in Colombia generally structure their activities the same as the cocaine traffickers.

Look, for example at Nigerian heroin traffickers. Here we have another situation that is developing over the past four or five years. These operations are very important to us. This cartel, though, is a slice out of the middle, so to speak, in that the Nigerians do not control cultivation of opium and the processing of the heroin. Most of that is done in either Pakistan principally or India. Thus, the Nigerians are providing mostly a transportation smuggling service.

Nigerian heroin traffickers are much less organized than Colombian cocaine traffickers. They are more of a convenient group of criminals working together. We often refer to the Nigerians as an ant army. They almost exclusively travel by commercial air because there is no other practical way to get out of there except by commercial air. Nigerian traffickers generally carry small loads, such as those which might be concealed in false-sided suitcases or body cavities.

In the United States we see small groups of Nigerians—in Washington, DC, New York, and Los Angeles—who take the first step or the second step in the distribution system in the States. But most often we find them dumping this product into existing trafficking organizations in this country. For example, here in Washington, in Baltimore, the major black trafficking groups would be ideal customers for the Nigerian smuggler who has brought in 2 or 3 kilos and is looking for a place to drop it. We also find the Nigerians are beginning to become better organized.

Southeast Asian heroin trafficking groups display almost totally different characteristics. There, insurgent activities are associated with the trade. This is probably the closest one gets to a group that is in the drug business and which also has a political agenda. These irregular forces, the Shan United Army, the Third Chinese Irregular Forces, and others, are, in fact, in the opium business and have been for many, many years in areas usually not controlled by the government of the country in which they are functioning.

However, they do not control the entire Southeast Asian heroin distribution system. They control opium, production and perhaps refining it into heroin. This heroin then is given to more tradition-

al traffickers in Bangkok and flows to the United States via commercial air.

Multiple drugs also reach our shores from Mexico. A new trend exists of Mexico being utilized by the Colombian cocaine cartels as a transshipment country. More of our cocaine is being smuggled into the Southwest United States via Mexico than via the Caribbean—probably up to a third of the cocaine reaching the U.S. comes via Mexico and we are working very hard with the Mexican Federal Judicial Police and on operational alliance on our Southwest border trying to penetrate and interdict this shift. This shift, of course, is a result of pressures put on the Caribbean by other law enforcement organizations.

Mexican organizations follow the same patterns. They are family oriented; for example, there is a major tie between Mexican traffickers in Central Mexico with family relatives in Chicago, for example, the famous Herrera family. All of the other characteristics of trafficking organizations that I mentioned earlier, fit the Mexican groups.

I should, perhaps, have stressed one thing which I didn't, and that is, the drug traffickers tend to specialize by drug. One doesn't see often a cartel that deals in multiple drugs! Thus traffickers are either a cocaine cartel, marijuana smuggling group, or a heroin activity. Very seldom do we encounter major multiple drug organizations, especially at the cartel level.

Pakistani drug traffickers are similar to the Nigerians except that some Pakistani heroin is delivered to traditional organized crime groups through Europe into New York. We also see more independent Pakistani drug activity in the United States through local residents, who, like the Nigerians, are trying to set up their own distribution systems.

Diversion of Licit Drugs to Illicit Market

In closing, I would like to point out that we generally look overseas to find the source of our drugs. However, a little less than half of the deaths and injuries in the United States are due to legitimate drugs that have been abused, medicine that has been abused; and more specifically, of course, prescription medicines.

We have a major diversion problem in the United States. Those responsible are mostly independent groups.

U.S. Domestic Drug Cultivation and Production

We also have a substantial domestic marijuana cultivation problem; and probably more important, we are developing an enormous capacity to produce dangerous drugs in clandestine laboratories in the United States. Up until the past 2 years, we were seizing about 170 or 180 clandestine laboratories each year in the United States—methamphetamine, PCP, in particular.

This past year we seized 509—509 clandestine labs in the United States. And I am not speaking about bucket labs here. I am speaking of production laboratories, and they are producing an enormous amount of drugs that are consumed within the United States, produced within the United States, and which have nothing to do with our external borders or with other countries throughout the world.

Thank you.

Mr. PERL. Thank you.

I turn the panel over to Carlos Pujalte, Legal Adviser of the Mexican Embassy.

PREPARED REMARKS OF CARLOS PUJALTE, LEGAL ADVISER, EMBASSY
OF MEXICO

Mr. PUJALTE. Thank you. First of all, I would like to thank the Congressional Research Service for extending an invitation to the Mexican Embassy to participate in this seminar which allows us to present our views in a fair and open forum.

Second, Minister Pinto, from the Mexican Embassy, was scheduled to appear before you today. Unfortunately, he had to go to Mexico and I am taking his place. He regrets not being here with us today.

Need for International Solutions and Cooperation

Today, the subject is international drug cartels. Mr. Westrate made a good presentation on the subject; however, I would like to stress the international aspect of cartel operations. Since they are international operations in my point of view they require international solutions.

He also pointed out that drug cartels work very much like corporations, and I think he is right. Like transnational organizations they have agents, officers, departments, in different countries and they have a very well-defined hierarchy of power.

Since it is very much like an international organization, an international body to confront and deal with them is needed.

I think that these international drug cartels are relatively new. I haven't read anything about international cartels that goes back very far, and I think that these international cartels need to be very well understood, very well explained, in order to know how we can deal with them.

The Pisces operation that Mr. Westrate just talked about shows a need for a very high investment in currency and in time to control one of them. It took about three years and a lot of money to take over this drug ring. This shows that we can obtain more results through such investments, even if it is harder to invest time and money, than to just make declarations that are not well founded.

I would also like to thank the Congressional Research Service for the opportunity to be here today because I think that in order to understand these cartels this kind of communication is necessary.

In considering how to resolve the problem that this represents, we believe that coordinated action is required at both a national and international level. Just 2 days ago, at a meeting of district judges, the Mexican President took that opportunity to appeal to the judiciary branch, for their support in the campaign in Mexico against drugs; and he has done so, also, with the legislative branch. We are trying to join forces within our national borders, and we think that this is as important, as it is to join forces at the international level to work together to deal with this problem.

On various occasions the government of Mexico has indicated the international, and therefore complex, nature of this problem. The

solution requires united action on the part of all of us, of all the countries involved, of the international community.

Drug Trafficking and U.S.-Mexican Relations

In the past few years the problem of drug trafficking has become one of the principal sources of tension between Mexico and the United States. Generally, there is agreement on the nature of the problem, and the relations between officials from the Attorney General's Office from Mexico and the U.S. Attorney General's Office are good, as well as between other offices. But we also have our disagreements and different points of view.

There are those who consider the problem of drugs to be one of supply, and therefore they emphasize the necessity of combatting production. Some who follow this line of thought in the United States stress the need for fighting production. It is curious enough to point out that this view stresses the need of combatting narcotics trafficking outside of the U.S. borders. It would seem that they try to transfer the economic, social and political costs abroad. In some instances, they go to the point of demanding that the legal framework of other countries be violated in order to fight drug trafficking without being disposed, even remotely, to considering that actions such as those demanded could be taken here in the United States.

Another line of thought holds that the problem of drug production is directly related to demand. From this point of view, more efforts should be made to control consumption, money laundering, financing, distribution networks, etc. This would certainly be the case of countries with large consumption problems like the United States.

Opinions are further polarized and the spirit of cooperation is weakened when certain sectors of the U.S. Government, most specifically Congress, take aggressive positions toward the countries where drugs are produced or transported.

In the specific case of Mexico, it is worthwhile to consider the negative impact on Mexican public opinion of accusations against high officials of Mexico made by U.S. officials during the hearings held last year by the Subcommittee on the Western Hemisphere of the Senate.

Those who initiated the accusations did not present proof to sustain their allegations despite the fact that the Mexican Attorney General had indicated that if the allegations were substantiated the Mexican Government would take the necessary steps to prosecute those involved in drug trafficking.

It would appear that these accusations were made with the intention of defaming our country and its government, with disregard for the strengthening of relations and spirit of cooperation which is necessary in this area. The effect of this campaign was to dampen the efforts of cooperation, and therefore important sectors of the Mexican public, despite being in agreement with the need to fight drug trafficking, thought that the cost of interdicting drugs in Mexico was disproportionate, given the economic situation of our country.

Mexican Efforts To Combat Drug Trafficking

We have augmented the budget of the Attorney General's Office and of our drug-fighting agencies, while as a general rule we have decreased the budgets of Federal agencies to control inflation. Mexico, sacrificing lives and employing its own resources, is fighting a battle for the well-being of the Mexican people and other societies.

There are approximately 26 million drug addicts in the United States who regularly and at a very high price support their habits. Mexico has about 26,526 men, 25,000 of whom belong to the army, continually engaged in fighting the cultivation of the plants, from which drugs are derived and drug trafficking. This is the only war being waged by the Mexican Army.

This is a problem of great magnitude, but Mexico has been struggling tangibly to reduce it, and by doing so, to protect the lives and health of a great many human beings, most of whom are U.S. citizens. If you think about it for example, last year 5 tons—300 kilos of cocaine—were detained by Mexican authorities, even though cocaine is not produced in Mexico—you can say many things about Mexico but cocaine is not produced there. The destination of this cocaine was the U.S. market, not the Mexican market. As you can see, Mexico invested a lot of resources in men, finances and equipment, to interdict these 5 tons—300 kilos of cocaine—and if you think about how many U.S. citizens were saved of intoxication, I think that our efforts are noteworthy and commendable.

Mexico Calls for Unified Approach to Drug Problem

Mexico calls for national and international cooperation. It is inadequate, and even counterproductive, to make this issue an area of conflict. In the regional meeting of Ministers of Justice and Attorney Generals, which was held in Puerto Vallarta, Mexico, from October 8-10 last year, by invitation of Mexico, the President of Mexico, Miguel de la Madrid, declared—and I would like to quote because I think that is a very good expression of our position:

"We propose that this struggle conceived as a clear and determined international movement be a uniting factor. Let's avoid the danger that this problem divide us. Let us seek that the solution unify us. This is our call."

Just to finish, I would like to point out that no one benefits from the divisions that surge between us other than drug traffickers.

Thank you very much.

Mr. PERL. Thank you, Mr. Pujalte.

One of the things that the Congressional Research Service does when it puts on a panel such as this on behalf of, or for the Senate International Narcotics Control Caucus, is to present a diversity of viewpoints. And now for another perspective on the problem, I turn over the panel to Peter Reuter.

PREPARED REMARKS OF PETER REUTER, SENIOR ECONOMIST, RAND
CORPORATION

Mr. REUTER. For the last 5 years, I have been using economic tools to analyze some problems in drug enforcement programs generally.

Today I shall talk about the array of programs aimed at reducing source country exports. I want to talk first of all about how source country programs can affect U.S. drug use. Second, I shall specifically discuss the impact of cartels, raising questions about what we mean by that term and whether, in fact, there are cartels. Finally, rather briefly, I shall talk about some principles for designing effective source country programs.

The Role of Prices

Against large drug markets such as the cocaine or marijuana market, and I will mostly talk about cocaine, enforcement works primarily through affecting the price, which is worked out voluntarily in transactions between buyers and sellers. Price is what induces producers to produce and distributors to distribute, and what inhibits users from consuming more.

Removing drugs has an effect only as it changes prices. There are more drugs out there than are needed to supply this market. The truth is that U.S. consumption, even of cocaine, is only a modest share of total world production, at least of coca leaves. In the case of heroin, we consume roughly 5 percent of the world's illicit opium production. And in large part, what U.S. consumers are doing is drawing drugs away from local users, except in the case of Mexico. Certainly this is true of coca from Bolivia and Peru.

Enforcement has an impact in that it raises the risks or costs of being in the drug production or distribution business. Each kind of enforcement affects a different point in the production or distribution system. For example, source country programs raise the export price of drugs, and almost all the effects that are relevant to U.S. consumption are captured in that price.

Farm-oriented programs like eradication programs affect farmer risks—in that instance, the risk of losing the crops. The more probable that you lost the crops, the more you demand for being in the business of growing coca leaf or marijuana or opium. Crop substitution programs affect the price of drugs because now the farmer can earn more from other activities and, in effect, drug distributors have to bid for his labor against higher opportunities.

We are particularly interested today in programs that aim at refining and distribution in the source country. They raise the price after the drug leaves the farm but before it leaves the country. What I want to focus on, for it is almost the most important part of the analysis, is simply the fact that the export price is a tiny fraction of the retail price in the U.S.

[Prices follow:]

EXPORT PRICE IS TINY FRACTION OF RETAIL PRICE*

Cocaine prices through distribution chain:

	Dollars
Farmgate	1,200
Export	7,000
Import	28,000

Wholesale (1 kg.).....	40,000
Retail (1 g. units)	230,000

*1985 figures, per pure kilogram equivalent.

Mr. REUTER. What I have put up here are some rough numbers on the price of the drug as it moves through the distribution system. The farmgate price refers to the quantity of leaves that is needed to make a kilo of cocaine, and at the retail end, where it is sold in 1 gram units, I put the equivalent pure kilogram price.

Obviously, that says that the farmgate price is less than 1 percent of the retail price. Even at the export level, it is only about 3 percent; and at the import level it is maybe as much as 12 percent.

Export Price as a Share of Retail Price

This raises the question of whether source country programs can, in fact, lower U.S. drug consumption. They only have an impact on U.S. consumption by raising prices, given that these are now mass markets. It is not an issue of simply removing the three or four people who are competent to do something because there is, in effect, a market of people who are in this business. And we note that drug demand is probably fairly inelastic with respect to the U.S. price; that is, if you raise the price of cocaine by 5 percent, you will probably get less than a 5-percent decline in total cocaine consumption. But source country programs, if they are to have an effect on U.S. consumption, have to raise that retail price.

If you think about that previous chart in which the export price was only approximately 3 percent of the final price of cocaine, you have to ask whether we can increase U.S. retail prices by raising costs and risks for producers and distributors overseas? We need to dramatically increase those export prices to have any noticeable effect on the retail price; and, hence, consumption in the United States. On a rough calculation, a doubling of the cocaine export price would raise the retail price here by no more than 5 percent, and, I suspect that would lead to a less than 5 percent decrease in cocaine consumption. For marijuana, I should just say I think the numbers are even less promising.

The Implication of Cartels

Let us now turn to the cartel issue. To an economist, the term "cartel" has a quite specific meaning. It doesn't simply refer to large organizations. It is an agreement amongst producers to restrict output or co-ordinate policies so as to increase profits of the current producers. That is what OPEC has attempted. That is what coffee producers have tried to do through their cartel. Most international cartels don't work, or don't work for very long, in large part because they have trouble restricting output by their individual members or restricting entry by new producers.

If we accept for the moment that the Colombian government has, at least historically, been corrupt, it can provide a basis for an effective cartel only within Colombia. With respect to U.S. consumption what we care about is an international cartel that affects total exports, not just those from Colombia. We must ask the question whether there is in fact a cartel that encompasses more than Colombian exporters.

A drug cartel, if it does exist, has very complicated effects. Let me first point to an irony. The cartel has some of the same objectives as our enforcement programs. It is in the business of raising price and restricting output. The difference of course is that we want this to be the result of higher risk; they want to achieve this so as to increase their profits, without higher risk.

Now that is not the end of the matter. Cartels are also in the business of facilitating production. They might have long-term contracts with growers, for example, or with refiners, that makes for more efficient production, and a cartel is also more competent at corrupting or intimidating governments. That is, an atomistic market, a competitive market, is less likely to have people who are competent at, or motivated to, delivering threats against government officials.

What will we get, from eliminating drug cartels? Mr. Westrate is using the term "cartel", I think, as synonymous with large organizations. I am using it in the narrower dictionary sense. But if we are really talking about eliminating cartels, we are not talking about eliminating production or distribution capacity; quite the opposite. We may be talking about impacting on the market in ways that make it produce more and make it more difficult for government to control because we no longer have those very visible targets that currently are the major focus of enforcement efforts.

The primary beneficiary from eliminating drug cartels are the source country governments themselves. The threat of the Colombian cartel is not to us through increased drug production so much as it is to the source country government which it can, and truly does, intimidate.

The evidence for the existence of drug cartels is not very strong. A small number of large organizations don't necessarily form a cartel; they must be able to reach, and maintain, an agreement. But most importantly, I want to focus on the fact that the drug exporters get a tiny share of the total profits, certainly the total revenues, generated within the cocaine market.

Remember that at the point of export the price of the drug is only something like 3 percent of the final price. An effective cartel, I suggest, would want to get a larger share of that total price, particularly since the demand is very inelastic, very unresponsive to changes in that export price. A look at the recent price behavior raises particularly the question about whether there is an effective cartel. During a period of apparently substantial expansion in U.S. demand, the import price of cocaine, which is well above the export price, has really fallen quite dramatically. There is too little data on export prices but I think that the import price fall probably understates the extent of decline at the export level.

Criteria for Targeting Programs

Just let me conclude by making a couple of suggestions about source country strategies generally. First of all, I think that is important to focus efforts on new source countries since they substantially complicate the policy problem that faces the United States and it is a lot easier to prevent development of a drug industry than to eliminate one after it has developed.

Second, I think it is important, as suggested by at least the partial success of Operation Blast Furnace, to focus those efforts on the politically least sensitive sector. Peasant farmers are a politically sensitive group; drug refiners, on the other hand, form a group that is politically a much more attractive target for source country programs, both for the source country government and for the United States.

Third, I believe that external resources cannot substitute for government will in countries where, in fact, there is a local cartel and the government is highly corrupt. External resources are unlikely to greatly change anything but the distribution of the profits between the cartel members and the government.

It is also important to note that source country programs, if you add everything together, are a very small share of our total drug policy budget. In fact, it is hard to spend a lot of money on these programs. Changes in source country program expenditures are not likely to make a major impact on the drug policy budget generally.

Finally, a focus on the cartel issue is probably not so important for the United States though it may be very important for the source countries. The source country programs must accept that drugs are sold in markets and produced for the purpose of marketing; we have to deal with the basic economic conditions that surround that. Elimination of a cartel, or even of some very large trafficking organizations, is unlikely to have much impact on U.S. cocaine consumption.

Thank you.

Mr. PERL. Thank you, Peter.

REMARKS OF ANN B. WROBLESKI, ASSISTANT SECRETARY OF STATE
FOR INTERNATIONAL NARCOTICS MATTERS

Need To Consider Nature of Narcotics Enterprise

Ms. WROBLESKI. Good morning. In all of my recent appearances before Congress, particularly on the question of certification and sanctions, I have urged Members of both houses to reconsider the nature of the narcotics enterprise. It is my view that Congress has tried to legislate solutions, but legislation is an appeal to reason that falls on deaf ears of unreasonable people who traffic in drugs.

The fact is that between the Government of the United States and the Government of Colombia or Thailand or Pakistan or Mexico there is a large criminal enterprise, whether it is the Medellin cartel or a loose-knit federation of families in Bolivia or the hierarchy of the major narcotics criminals in Mexico or the five families that historically have comprised the Mafia Commission in New York. These are criminals. They are driven only by greed. They owe no allegiance but to themselves, and they have no respect for national boundaries.

The dominance of criminal cartels atop the global narcotics trafficking network has crucial implications, not only for the makeup of our international narcotics policy and the makeup of our international control programs, but also for United States foreign policy, and I would like to speak to those two subjects today.

Cartels and U.S. International Narcotics Control Policy

First, the implication of cartels to international narcotics control policy. We believe that in the final analysis, if we are to succeed in reducing the availability of illicit narcotics in this country, there is no alternative to outright bans on cultivation which are enforced by eradication in the source countries. But the lesson learned since the Turks successfully enforced their opium ban is that there must also be sufficient interdiction and enforcement capability to seize contraband and financial assets, and to arrest and prosecute the major traffickers.

Increasingly, U.S. policymakers believe there must be enforcement campaigns designed specifically to destabilize and ultimately eliminate the incredibly powerful narcotics trafficking organizations that control the trade literally from the farm gate to the street user.

Need for New Methods and Concepts of Enforcement

To combat this menace in all of its forms, we have had to change our program mix and give priority in our policy to new methods and concepts of enforcement. Thus, a comprehensive international narcotics control program includes not only commodity and technical assistance for eradication and interdiction, but modern-day anticrime tools such as extradition treaties, agreements on money laundering investigations and other mutual legal assistance, complementary asset forfeiture and seizure laws, and the whole array of scientific and electronic gadgetry needed to monitor the wholesale movement of money and contraband that are the hallmarks of the narcotics trade today. I would like to speak to three of these tools in more detail.

Extradition

The first is extradition. The importance of extradition as a weapon in narcotics control was vividly demonstrated in February when Colombia arrested and swiftly extradited cocaine kingpin, Carlos Lehder. Lehder personified the power of the cartels. Not only has the Medellin cartel reportedly been responsible for hiring the killers who have committed many, if not all, the recent major assassinations in Colombia, but later required radio and newspaper interests and mounted an extensive public campaign against the extradition treaty.

President Barco, who reaffirmed the extradition treaty after it was challenged, has shown highly commendable leadership on the whole of the narcotics issue, principally on extradition.

Congress believes more use should be made of extradition as a tool and has required us in statute to give more priority to including new or revised treaties. Our annual report to Congress confirms that many of our extradition treaties are outdated and that State and Justice are busily negotiating the new treaties, including several with source countries such as the Bahamas, Malaysia, Costa Rica, Thailand, and Jamaica.

But for long-term enforcement effectiveness, the task is not to make our laws work in another country through extradition trea-

ties, but to help other governments make their laws work. It is my view, and this is somewhat unpopular at the Justice Department, but that the long-term solution to the Colombian problem is to strengthen Colombia's independent judiciary so that Colombia can try the Carlos Lehders of the world.

Money Laundering Investigations

The second issue is money laundering investigations, and David, I know, has walked you through the very successful operation that came to conclusion a couple days ago—Operation Pisces. But let me say that money laundering has been given special new importance by Congress, which in the Anti-Drug Abuse Act of 1986 made it one of three major criteria we must use in assessing cooperation from narcotic source and trafficking countries.

This new emphasis on cooperative money laundering investigations has given an even higher priority to this activity as part of the international narcotics control policy and program. As we said in the special money laundering chapter in our annual report, there is broad agreement between the Administration and Congress that much more action needs to be taken by the United States and foreign governments to curb narcotics money laundering.

I would urge Congress to consider carefully the findings of that report, and particularly our conclusion that the money laundering issue is not a matter which dominates our assessment of any country to the exclusion of all others. In this regard, Congress was advised of the opinion by State and other agencies that the presence or absence of an MLAT, or a Mutual Legal Assistance Treaty, is not by itself a controlling factor in assessing cooperation and should not be held out as such in legislation.

Moreover, we found that narcotics traffickers like other people who have large sums of money prefer a climate of political stability and countries with hard and stable currencies and sophisticated systems, with no foreign exchange control and regulations that assure bank secrecy but little or no tax liability, and where possible they prefer countries with government systems where large-scale bribery and corruption are available options.

Historically, drug money laundering centers have developed where some combination of these factors exist—Panama, the Bahamas, Switzerland, Hong Kong, Singapore, to name a few.

I think the guidance here both for our enforcement efforts and legislative consideration is that narcodollar laundering operations are usually isolated from production and trafficking activities. Not only because of the enforcement pressures we apply to these activities, but also because traffickers prefer to keep their operations compartmentalized.

Rewards Legislation

The third tool that I want to discuss is rewards legislation. There is no question of the priority we must continue to give to arresting and prosecuting traffickers, seizing their contraband and financial assets and disabling their money laundering systems. But I think we need to do even more in the way of destabilizing the cartels

Congress has given us a new authority which my bureau sought, and last month we sent cables to all of our ambassadors explaining our new narcotics rewards payment program. Our goal is to facilitate the arrest and prosecution of major traffickers, people like Carlos Lehder.

We can now offer rewards up to half a million dollars for information leading to the effective arrest and/or prosecution of major traffickers. Under guidelines approved by the Secretary of State and the Attorney General, our chiefs of mission can propose a reward for a particular individual based upon consultation with the DEA country attaché, our narcotics personnel and other embassy officials. When proposed to me, I then consult with Jack Lawn, the Administrator of DEA, and prepare a recommendation to the Secretary, who, in turn, consults with the Attorney General.

These reward offers may be made publicly or quietly through the informant channels. We hope to make offers where appropriate in cooperation with host governments. At a minimum, we hope to sow distrust in trafficker organizations. Ideally, we would bring to justice men and women who have eluded us for years.

Cartels and U.S. Foreign Policy

The second thing that I was asked to speak to is the implications that the cartels have for U.S. foreign policy, and I would like to give some guidance to Congress on the legislative solutions, if any, that we think are appropriate.

Problems With Setting Reduction Quotas for Source Countries

There is a parallel here with our crop control efforts. The temptation on the Hill and elsewhere within the Government is to set reduction quotas that narcotics source countries must meet to be eligible for economic and military assistance. There are two problems with these quotas.

These countries are vulnerable to factors affecting production over which they have little control such as an upswing in price during a period of good weather. Moreover, because this is an illicit and clandestine enterprise, setting quotas is one thing and enforcing them is quite another.

This is not like setting the U.S. sugar quota or deciding how much acreage in Iowa can be planted in corn. These farmers are paid by criminals. Their farms are frequently in areas outside the control of the central government. The narcotics crop may be their principal or only cash crop, and the traffickers pay better. So we need to understand, and Congress needs to understand, that the economic arguments are all on the side of the trafficker.

We are dependent upon the central governments having the political will and capability of enforcing it throughout their territories. Turkey succeeded in eliminating illicit opium production because it has that will and that capability. Mexico succeeded in the 1970's with our support because it had that will and that capability. The Pakistani effort, successful for several years, faltered in 1986 under a new government that has not yet proven to the trafficker that it had the will to enforce it. Few other governments present to us quite the same will and capability.

So when we assess our goals for a given year, we not only have to consider the array of other foreign policy considerations but whether these governments can, in fact, achieve the goals that we want to set for them.

Need for Flexibility in U.S. Approach and Demands

There are some in Congress who accuse us of deferring the narcotics issue to other considerations, and that is simply not true. In some countries, like Bolivia, narcotics control is the highest foreign policy consideration in the programmatic sense. But no reasonable person can deny that in Pakistan, for example, we have critical East, West and security issues. The task, and it is never easy, is to achieve a wide range of foreign policy objectives with none suffering at the expense of the others. As we have testified repeatedly, we don't believe that foreign aid should go to countries who are profiting from or partners with the cartels and the traffickers. But by the same token, I think we need to understand that what is possible in some areas in some countries is not possible in other areas in other countries, and we need to be flexible not only in our approach but also in our demands.

Thank you.

Mr. PERL. Thank you very much.

COMMENTS AND QUESTIONS OF HON. ALFONSE M. D'AMATO, U.S.
SENATOR FROM THE STATE OF NEW YORK

Arrests During Operation Pisces

Senator D'AMATO. Hearing from Mr. Westrate about the 115 indictments and the 351 arrests that were made, do they cover a number of different criminal organizations or is there essentially one organization involved? Have you just taken out a lot of different people or have you concentrated on one or two of those criminal enterprise networks?

Mr. WESTRATE. Well, sir, these arrests and indictments basically represent three major organizations. One is headed by Jose Lopez, who was arrested at Miami, FL, this week. We put him at a par with the other more widely known Colombian traffickers.

The Pablo Escobar and the Ochoas family organizations were also actively involved.

There was another aspect of this which had to do with money laundering by some traditional money launderers who basically also provided that service, and we wrapped up a lot of those people as well.

But basically, three major organizations at the cartel level were involved.

Senator D'AMATO. Do you feel you have put a cap on the Lopez organization and that you have taken out that organization as such? Have you rendered them ineffective?

Mr. WESTRATE. Well, we will have destabilized them over the short period. Also, Mr. Lopez is in jail, he is the head of that group, and that might have more of an effect as well. But, I think they can regroup and move forward.

Senator D'AMATO. What about his underlings? That is what I am getting at.

Mr. WESTRATE. Yes; we have disrupted them effectively for the time being.

Senator D'AMATO. I would just make the observation that waiting in the wings, whenever the don or the head of an organization goes, are 10 to take his or her place, or his place in most cases, and so, consequently, it seems to me that the concentration on attempting to get as many within that one organization is probably the most effective approach, and that is the way you can really be disruptive.

Need for Other Countries To Recognize Concerted Action Is in Their Own Best Interest

I would just like to make another observation. I hear our good friend here on behalf of the Mexican Government, and I hear our Assistant Secretary of State as it relates to what we can expect from other governments in terms of their dealing with the narcotics production and distribution. My concern is narcotics trafficking and distribution as it relates to that production and distribution reaching our shores.

It seems to me that we had better realize that until whatever government we are talking about comes to the realization that it is in its own best interest to take real action, concerted action, against the drug industry in its country, whether that be for a transshipment, whether it be an industry that utilizes the country for its banking facilities to launder money, or for the actual production of the crop, there will not be any real success.

Now some countries such as Bolivia, may at a particular point in time, recognize that their own survival may be at stake. It is too bad that we have to wait until it reaches that point, but at that point certainly we should do everything and anything we can to assist them, very tangibly in that effort.

Need for Strong U.S. Action Against Uncooperative Countries

However, we have a responsibility that transcends even the very important other areas of international relations. That is to let those countries understand that we are very serious and very committed to a program to take very strong action against those countries who do not recognize that it is in their self-interest to fight narcotics production and trafficking.

It may take the kind of action that some view as almost antidemocratic, as not recognizing the rights of one country to determine its own destiny. It may take the cutoff of aid, or loans by the international banking community, to understand that we are very serious and very committed. And if it means the loss of that aid to bring home to them that this is a significant problem, they will then have to make a judgment as to just how serious the problem is.

I don't think we have to wait for their government to be on the horns of a dilemma, as in Bolivia, that they may be in danger of being held captive and hostage by the drug producers. I think we have an obligation to say that if you want normal relations with

us, if it is important to you, then you should undertake these steps in your own national interest.

Shortcomings of U.S. Policy—Past Cooperation With Drug Traffickers, Etc.

Now, if good relationships with the United States are not of paramount concern, well, then you go ahead and do what you have to, but we should do what we have to. I am absolutely convinced that we have engaged over the past two decades in a policy that has deceived and entrapped our allies and other countries that we have dealt with, that we have had various branches of our government—CIA, etc.—who have operated, who have worked with drug traffickers for various geopolitical reasons, etc. That it is absolutely intolerable.

And I view the threat of the domination of this country by the drug culture far more seriously and as more ominous than the threat of communism. We will stand up to communism. We will handle it. And I can't countenance having had, at various times, law enforcement people or people connected with the intelligence community selling out, allowing because of their so-called sensitive positions the drug traffickers, whether they be major or not, to be shielded, so to speak, to be countenanced, so to speak, by operators from our Government. Incredible. Intolerable.

And I don't buy this anymore. That we have to be so concerned with our international relationships that we have to be less than committed to a policy that says: "Look. It is killing us. We don't blame you for our own shortcomings. On the demand side we have a lot to do. But let me tell you, the problem is so serious we expect you to help us and work with us, and we will work with you."

We haven't done it. We haven't sent out the message. I don't blame them for not understanding and for being upset when all of a sudden one or two Senators get up on the Senate floor and start asking some tough questions or start pushing for legislation that might be harmful to our relationships.

This country has to make a decision. Are we really serious? Are we willing to rock some boats internationally? Are we willing to send a message that really this is number one? Or are we going to just get hung up on this business of: "Don't rock the boat. After all, they are important allies, they are nice people, we have the battle against communism, they have instability," etc.?

I don't think we want to wait until all these countries become so impaired that they become something like a Bolivia or a Colombia acting out of desperation. I think it is better for us to send the warning now because eventually that will be their fate.

And let me tell you, my good friend, Mr. Reuter, don't think or believe that those international cartels don't exist. They do exist. And their dominance and power in terms of the money that they have in these countries is such that they can affect substantially the policy of that country, and they have; and they have eroded the fiber of those countries as well.

If they want that to continue, that is fine. But I think we have an obligation. It may mean saying we are going to cut off international loans to a country. Then they will get interested. And it may

be in their self-interest, though there will be a lot of weeping and gnashing of teeth.

I don't make this statement as a personal comment, but I say the State Department doesn't have the foggiest. They are the farthest away from this. They are thinking about other areas, other things, and they are an impediment in most cases to a successful policy dealing with this situation.

Mr. PERL. I thank you, sir.

COMMENTS AND QUESTIONS OF HON. DENNIS DECONCINI, U.S.
SENATOR FROM THE STATE OF ARIZONA

Need for Clarification of State Department Policy

Senator DECONCINI. Maybe Miss Wroblewski can shed some light on how the State Department looks at the problem. What Senator D'Amato has set forth here is the State Department is not responding to the Chief Executive, the President, when he says that international narcotics trafficking is a national security problem.

Yet it appears to some of us that maintaining good relationships with some of our neighbors, say Mexico or Panama, seems to supersede being more aggressive and confrontational to get results, particularly in the area of corruption and stopping the flow of drugs.

Not that Mexico has not done some things. It has. So has Panama. With the evidence that I suspect you have, some classified and some not, on some high-ranking officials in the Mexican Government, even some former governors, judicial police; and on some of the high-ranking officials in Panama, how can one say this is not a national security problem?

Why does the State Department not come up with a firmer policy as a result of such knowledge?

Ms. WROBLESKI. First of all, I appreciate the opportunity to explain the policy. Let me say that in the two years that I have been in the Bureau, first as a Deputy Assistant Secretary and then as Assistant Secretary, I have seen, if anything, a strengthening of the front office, if you will, commitment on the narcotics issue, and it is partly because of the President's—well, surely it is because of the President's new emphasis, particularly over the summer, on the issue.

But it is also because of a dynamic that Senator D'Amato referenced, and that is, these countries are hurting because of increased domestic consumption, as Peter mentioned. They are also deathly afraid of the power of the cartels. And those two interests, self-interest, as you mentioned, where they come together make the diplomatic job a lot easier, clearly.

The good news is that the diplomatic job is easier. The bad news is the problem is getting worse. But I have seen the President, I have seen the Secretary, Deputy Secretary, myself, other regional Assistant Secretaries be very tough with allies, and as well as with people who are on our borders on this issue. This is a crucial foreign policy issue.

Lack of Mutual Legal Assistance Treaty With Mexico

Senator DECONCINI. Take, for example, Mexico's reluctance to sign a Mutual Legal Assistance Treaty. In addition, nobody connected with the Cortez case has been brought to trial, although they have arrested 12 men. Their attorney general says the Mexican court system is working through it. However, we can't disturb that; because it is internal affairs. But we can make it very firm, in our foreign policy, that it would be in Mexico's best interest to pursue this matter actively if they want to continue good relations with the United States.

Ms. WROBLESKI. Senator, I disagree with you. I think we do do that. I have seen the President do that during binational commission meetings.

Senator DECONCINI. Well, then why don't we have an MLAT with the Mexican Government? Why don't we have the right of hot pursuit into Mexico as we have with the Bahamas? We seem to publicly take a strong position on such issues, then we back down.

Maybe the overall foreign policy objectives have to take precedence over the specifics of insisting that a government move on drugs.

For example, El Salvador brought to trial some of the military people that were involved in the death of the nuns and the labor leaders. They did it. They did this because they needed us, and also because they wanted to do it.

I don't see that happening in the case of Mexico.

I understand we must look at the whole picture when making a foreign policy decision. But I won't agree with our present narcotics policy with Mexico.

Ms. WROBLESKI. Well, I think you do have to look at the whole picture, and I think you have to look at what leverage is available. We, as you know, spend an enormous amount of money, both military, as well as economic and development funds, in Salvador. There seems to be this impression that there is foreign aid that goes to Mexico. That is not true.

Senator DECONCINI. We do provide a great deal of assistance to Mexico. We loaned them a billion dollars when their peso was devalued. Maybe the Mexicans don't consider that foreign aid, and maybe we will get it back, but, boy, if that isn't foreign aid, I don't know what is.

Mexico borrows money from the World Bank and we contribute 34 percent to the World Bank. In my judgment, that is all foreign aid and it doesn't appear to be used to obtain leverage in our narcotics policy.

Ms. WROBLESKI. I think you've hit on it: the whole picture is important. There are a range of issues. Debt is one of them, clearly; immigration is another. You as a border-state Senator know probably more about the immigration than I, but narcotics is clearly an irritant in the relationship. We agree with the Mexicans on that.

How hard can you push on any one of these issues? I think you can push as hard as you are able to on all of them. But does that mean that you are going to flip-flop one of them or all of them at the same time? No. I think foreign policy—I think what frustrates clearly you all and on occasion me, is that diplomacy in foreign

policy is measured in inches. And we have had some good success I think in working with the Mexicans to put the Mexican program back where it was. Keep in mind that for years the Mexican program was the most successful program in the world.

Senator DeCONCINI. Sure. In the 1970's.

Ms. WROBLESKI. And we brought people from Thailand and Pakistan and Colombia and everywhere else in the world to look at the Mexican program. What I am interested in is how we and the Mexicans together can help put the program back together for it to be as successful as it once was.

It is my view in my meetings with the Mexicans is that the upper levels of the government are committed to the same goal. It took several years for the program to become less efficient, and it is going to take a couple of years to put it back together. But it seems to me that a cooperative venture of improvement is far more positive both in terms of the narcotics issue as well as the overall relationship in foreign policy than a confrontation.

Allocation of Resources: Targeting the Source vs. Targeting Distribution

Senator DeCONCINI. Mr. Reuter, you mentioned the inability to curb narcotics at the source because if you eliminate one source of supply, another develops somewhere else. I get the impression that you believe we need to devote our attention to the distribution end of the chain.

Do you believe we should target the border? Or are you talking about actual street distribution, or both?

Mr. REUTER. I wasn't drawing any policy inference from the slightness of the production costs as a share of the total costs, except to say that making a major impact on U.S. drug use through targeting the back end of the system—that is, the part of the system that produces cocaine and gets it refined and to the border of the source country—is questionable. Source country programs work on a part of the system that not only is currently relatively unimportant to U.S. drug consumption, but also one that we are unlikely to make much more important.

If we raise risks to Miami bankers of being launderers, we are raising their risks of losing substantial legitimate earnings and a respectable social position. Making life riskier for Colombian sailors or Bolivian refiners has less return because we are talking about people whose other opportunities are really fairly depressing. Restricting the supply of Colombian sailors who are willing to take marijuana to the U.S. shore in return for \$20,000 and a 1 in 2 chance of a year in prison is not promising. Similarly, we may get little from making Bolivian peasants worry about a 1 in 2 chance of losing their crops through eradication. A large increase in the leaf price can induce them to accept this risk but we are not likely to see much impact on the availability of cocaine in the United States.

Senator DeCONCINI. So we should put more emphasis on border interdiction, money laundering, or on curbing street distribution?

Mr. REUTER. We, in fact, do that already. If you look at the distribution of prices in the system—it is clear that there is substan-

tial domestic pressure. From the time cocaine gets to the shore in Miami to the time it hits the streets of Chicago, there are risks that amount to approximately \$200,000 a kilo.

It may well be that our current allocation of effort is quite sensible, taking state and local efforts together with federal. What I am concerned about is this notion that because cocaine starts with growing of the plant that somehow that means you stop it by cutting down on plants. At a time before these were well-entrenched production and distribution systems, that might have been true. At a stage where you have markets for these goods, like other mass markets, I think one has to be more realistic about it.

Senator DECONCINI. I don't want to monopolize if other people have questions.

Mr. PERL. Sir, I thought what we would do is turn the floor over to you and to Senator D'Amato for questions and then break.

Status of Proposed Mutual Legal Assistance Treaty With Mexico

Senator DECONCINI. Well, I will ask one more question to our Minister from Mexico, if I can.

Mr. Pujalte, I thank you for being with us, and I extend my appreciation to the leadership that President de la Madrid has demonstrated his willingness to move aggressively in this area. I have had the pleasure of meeting with your president on a number of occasions.

I would like to ask you if you can give us the current status of the Mexican government with regards to the Mutual Legal Assistance Treaty between our two countries? When I was in Mexico just six weeks ago, the Attorney General was not very optimistic, but the President was and he said it would be forthcoming. I wonder if there is any news on that from the Mexican side?

Mr. PUJALTE. Well, it seems that last year some U.S. Senators were wondering what happened with the treaty because they had the impression that it was going to be signed in November.

The Mexican Attorney General said that he had agreed to draft a treaty and then to consider it, because there were several constitutional issues that were very delicate.

There are some provisions in the treaty for example that ask for arrests or for seizures without a warrant or with just a telephone warrant, just by contacting the judge and the judge giving a warrant orally. It seems to me that this is a very delicate constitutional issue. I don't really know but I believe that at this stage they are studying it.

I know that they presented it to the Supreme Court for a report. They are trying to anticipate what problems we will be dealing with. I think that it is something common for a country to study in depth a treaty that contains delicate constitutional issues because otherwise the treaty could be rendered invalid and then you would end up without any treaty at all.

Senator DECONCINI. I certainly agree with you that your country has every right and should study that. I was wondering if you have any time schedule for concluding this treaty.

The Bahamas went through the same thing, they had objections to opening up their banks so the treaty was modified, but they

passed legislation in accordance with that treaty to permit sharing of bank records with the United States.

The Bahamas also went beyond that treaty to permit hot pursuit into their territory as long as there were Bahamian Defense Forces onboard aircraft or they had verbal communication that we were pursuing an aircraft.

Mr. PUJALTE. Well, I think it is very much like here in the United States. There is no schedule or timetable to sign a treaty that is placed before the Senate or another agency for its advice and consent. This procedure may take some time.

Senator DECONCINI. The government has set no time schedule, no time when they think they may be at the point of either accepting the treaty or rejecting the treaty; is that right?

Mr. PUJALTE. It depends on the circumstances.

Mr. PERL. Senator D'Amato, do you still want to add something?

Mr. D'AMATO. No, I have given my impressions, no sense in restating it again.

[Recess.]

DISCUSSION PERIOD

Mr. PERL. We would like to open up the floor to questions from the audience and the seminar participants. If you speak loudly, we will hear you from the back of the room. However, for purposes of transcription of the seminar proceedings, it would be better if you came to the front and spoke from the mike.

Effect of Law Enforcement on Drug Prices and Demand

Question. Mr. Reuter, what kind of empirical data do you have to support your premise, which I think is the basis for your presentation, that the only way, true way, to really get at this drug trafficking problem is by raising the price? One conclusion I thought you said was that, at the farmgate level, or source level in the foreign country, there isn't really that big an impact on price; therefore that's not the place to put the emphasis.

Mr. REUTER. The economist's religion is that the way you effect production and consumption is through effecting cost and prices. In a system in which very large numbers of participants are engaged in an activity which, to them, is simply a source of income, I suggest that we have no other alternative but to assume that as we change risks and costs we shall affect their behavior, and that effect on the behavior is shown through prices.

If you make the business of being a Colombian coca grower riskier, the Colombian farmer can only be induced to continue to produce coca by raising the price. If that price is very small relative to U.S. retail price, even if the Colombian demands twice as much to grow his coca leaves, we see very little effect on U.S. price and on U.S. consumption. And that is the simple conceptual apparatus that I bring here.

In a situation where you have very small markets you can think about eliminating them. For example, a colleague and friend of mine, Mark Kleiman, did some work on drug enforcement against heroin users in Lynn, Massachusetts. It is a medium-size town with a modest sized, but threatening, heroin market. He found that a

concentrated enforcement program essentially eliminated that market. It was a small market. There were maybe 10 people that were really competent to be efficient heroin distributors. You could remove them relatively quickly, and their removal left a vacuum. That is a small market. That is Ecuador in the international coca production market.

But when you start talking about Bolivian or Colombian production, you are talking about an industry in which there are at least hundreds, if not thousands, of participants who are competent to carry out the job of any other participant, and to that extent you are just talking about markets.

When I say enforcement works through prices, that doesn't apply to retail enforcement at the bottom end because one of the things such enforcement does is just make it harder for customers to find drug sellers by forcing drug sellers be more discreet. This affects demand as well. But for the purposes of the discussion today, where we are dealing with foreign production far away from the user, it is only through its impact on the economic considerations of producers and distributors that we are able to have an impact on the consumption of drugs in the United States.

I have no original data about prices. I rely entirely on DEA collection systems for prices at various points in the system. What I put up as the price chart for 1985, might be off by a few percent either way, but there is no question that the export price is a very small fraction of the retail price. I put up a \$7,000 figure, maybe the correct figure was \$12,000 at some stage during that year. But the point still remains that it is a very small share of final price.

U.S. Drug Consumption as a Percentage of World Production

Question. I would like to ask a question, Mr. Reuter, about your statement that U.S. demand consumes only a modest share of world drug production.

First, are you saying that in terms of world volume or in terms of the profit margin for these cartels? And, secondly, if you could address what impact we could have if we really mounted a meaningful demand reduction campaign in this country and succeeded, taking away maybe 25 percent of that marginal cocaine using group; they are not daily users, but they are a significant aspect of the market here in the United States?

Mr. PERL. Peter, could you summarize the question before you answer it?

Mr. REUTER. The first component was about whether when I referred to the U.S. consumption being a modest share of the world market, I was referring to volume of drugs or profits: I was referring to volume. Heroin represents the extreme World opium production is usually estimated at between 1,000 and 2,000 metric tons and U.S. heroin consumption is about 6 tons, which is 60 tons of opium. U.S. heroin accounts for about 3 to 6 percent of world opium production. The percentage varies by drug.

With respect to cocaine, I have not tried to work it out but I would guess that U.S. consumption is maybe half of the total leaf production.

VOICE. Try 30 percent.

Ms. WROBLESKI. Yes.

Mr. REUTER. Thirty percent.

Ms. WROBLESKI. Only because the leaf production so outstrips demand.

Mr. REUTER. With respect to profits it depends on which part of the distribution system you are talking about. If you look at total amount spent on drugs, the U.S. market completely dominates the world market. The 60 tons of opium that goes to U.S. heroin consumption would, by any estimate, account for more dollars at the retail level than all of the other opium produced in the world.

I am not sure that is a relevant calculation for anything because, in fact, most of that money goes to U.S. distributors for incurring risks in the United States. And so it is not that more money goes to foreign producers to sell to the U.S. rather than to local consumers. The Burmese opium producer gets the same price for opium consumed eventually as U.S. heroin and for opium consumed at home.

Feasibility of Demand Reduction in the United States

Your second question was about the feasibility of demand reduction. I want to make a comment here about the history of drug use in this country. We have seen a dramatic change, not only in terms of increases in drug use, but also in declines.

In 1978, 11 percent of high school seniors said that they were daily marijuana users. That was almost double what it had been at the time of the first survey of 1975. By 1985 it was down to less than 5 percent.

Now is that the result of a systematic demand reduction effort? I don't know. There is not much evidence of systematic demand reduction in the late 1970's. If you want to argue that kids became aware of the short-term health effects, there is evidence in the same survey that tracks very well with this decline in consumption.

My guess is that the same is true if you look at the earlier declines in use of heroin and cocaine. A generation of inner city minority youths were lost to heroin and then heroin acquired a very bad reputation. We now have an aging cohort of heroin users.

I would argue that with cocaine what is eventually going to drive down demand is that the drug will acquire a very bad reputation, and while I am usually against horror stories as the basis for policy, I think this is a case where the horror story is the policy, and a very sensible one at that.

Mr. PERL. Would any of the other panelists care to comment on that?

Need for Multifaceted Policy: Demand Reduction, Supply Reduction, and Overall Disruption

Mr. WESTRATE. I would like to make a few comments on both of the questions. From a policy perspective, my view is that the situation that has been described is of such magnitude that we must pressure on all the various elements. There is no element alone that you can attack that is going to solve the problem. The solution has to be multifaceted.

We have some historical examples. I believe that we can have more impact, perhaps more than Mr. Reuter indicates, in the source country. The two success stories historically have been Mexico and Turkey. In Mexico, when the eradication campaign was at its most efficient peak, it was successful. Mexican heroin in the United States virtually dried up, and became a nonissue. Purity was down to 1 to 1½ percent.

Turkey is another example. Although the source was controlled in a different way, nonetheless that source was controlled and it too became a nonfactor.

Now more recently in Operation Blast Furnace, in Bolivia, I think we saw that we could have an impact. Our import will have to be evaluated in terms of what potential there is for the future, but the fact is in Bolivia a relatively cheap program—\$2 or \$3 million, 6 helicopters; a few hundred support staff, and a few more planes—with these resources we were able to disrupt completely the cocaine production capacity in Bolivia for four months. We later determined, through laboratory records seized, the production capacity disrupted to be 18,000 kilos per week.

We disrupted that activity. I was surprised, personally, that we were able to have so disruptive an effect in light of such massive production. But it worked. So I am encouraged by that.

However, in order for us to have an overall impact, such operations will have to be refined and programs have to be implemented in other places, probably, with more resources.

On the demand side, there is no question our colleague here from Mexico is correct. We must do something about demand in this country. I think it is a valid point that is made over and over again.

I see a big change in attitudes, but we have not come to grips with the demand for drugs in the United States. We have to say that this is unacceptable behavior.

Look what has happened to the production capability of our industries. Look what has happened to the education of our children in terms of declining education. Who would have ever thought that the quality of education in the United States would go downhill. The fact of the matter is, my general impression from reading is that our education level is declining, not getting better. A lot of this is drug driven. The crime rate is drug driven. So we have to decide as a society that drug use is unacceptable.

We were speaking about the differences between heroin and cocaine at the break, and heroin is something that you don't see in reputable institutions. You see it at the street level amongst street junkies. Cocaine is different.

In the past 2 months we have taken major cocaine cases down on Wall Street, in Pan American Airlines, and in other kinds of industries as well. This type of drug use must be deemed unacceptable. But this will not happen overnight.

We have allowed the notion of tolerance of drug abuse over the past 10 or 12 years to creep into our thinking. Now it has turned around. The best example I can give you is the fact that you do not hear anymore any really aggressive or really effective lobbying on behalf of legalization. Now, again, 10 or 12 years ago we were very close in this country to legalizing the utilization of marijuana and

cocaine wasn't far beyond. You don't hear that anymore, and I think we have come to realize medically, scientifically, morally, and otherwise that drug use is something that has to be stopped.

And it expands also into alcohol abuse. The MADD programs, anti-drunk-driving campaigns and related campaigns, are another indication of this.

So we have to work demand, we have to work supply, and we have to disrupt at all the points we can. If we beat cocaine traffic down to where it gets back-channeled again into structured professional traffickers who will traffic in cocaine from now until the day they die, then investigative efforts can be even more efficient. But right now, what good does it do to take another Colombian boatload of marijuana, take the people off, process them and ship them home, then wait for the next boat and seize the next load. This is simply a cost of doing business to these groups.

So we have got to get at the trafficking heads, the finances, and the demand for the drug in order to be effective.

Cost Effectiveness of International Programs

Question. I would like to address my question to Ms. Wroblewski.

I am concerned a little bit about the overall strategy that the United States employs in the international field. I know that the Drug Enforcement Policy Board has recently published what was supposed to be a very comprehensive narcotics control policy, but none of the strategy speaks to specific dollar resource allocations. And I was wondering if the State Department or whoever is responsible for that side of our strategy has looked at the cost effectiveness of each of the programs, let's say crop substitution, interdiction, DEA's overseas budget, to determine what resource allocation would be the most cost effective.

If you look at the substantive section of the Drug Enforcement Policy Board report, dollars are not mentioned one single time in terms of the resource allocations. There is an appendix that describes how much money we are spending right now, but in terms of resource allocations, particularly for the future, the Policy Board strategy is void.

And I was wondering if you could address what type of strategic decisions we are making, why aren't future projections being made, why haven't we assessed the cost effectiveness of each of the various components which are vastly different?

Ms. WROBLESKI. I am under the impression, and I hesitate to speak for the entire Board. But I am under the impression that having put the strategy together and having pulled it together across the range of initiatives, we will now begin to look at what is called by OMB budget crosscuts.

My budget is not for crop substitution, let me make that point clear. My budget, which basically goes to bilateral programs that are enforcement programs, repressive programs; AID's budget, some of which goes to crop substitution; DEA's budget, a portion of which is spent overseas—those are fairly easy budgets to look at and say, you know, you can count columns and say here is what we are spending in X.

It gets far more complex, as I understand it, when you get into, for instance, Customs assets or Coast Guard assets, or even hideously complex when you get into DOD assets because you are looking at massive budgets and how do you take one helicopter that is flying for 60 days in the Bahamas with two Air Force pilots and say that is a drug resource? The task facing OMB and facing the Board is not an easy one.

Speaking to the issue of resources, it is my personal opinion, and it has been the administration's view that stopping drugs at the source is not only the cheapest and the most efficient and the most effective way to keep drugs off the streets of the United States as well as other countries, and I think that is a consideration that Mr. Reuter skirted, didn't speak to, and it depends again on what you are interested in.

I am interested in keeping drugs off the streets of the United States, but I am also interested in the preservation of democracy in Latin America and the stabilization of governments in Asia. And it is my view that the United States as a leader in this field, unfortunately, a leader in consumption, but also a leader in terms of moral public support, needs to do its part in keeping drugs out of the international market.

*Need for Economic and Development Support To Reach Foreign
Farmers Who Grow Narcotic Crops*

I would argue, and this is probably not a popular view, but I would argue that, if you took all of the money that we are going to spend to ring the southern border with hardware and spend it in the Andes in military assistance as well as in development and economic support so that you get to those farmers, it is a wiser use of the taxpayer's dollar.

Clearly, there are lots of differences of opinion on that issue, but I just have to believe that from a foreign policy perspective strengthening governments, strengthening institutions, strengthening efficient police systems as well as military operations as well as courts in Colombia is far better over the long-term interest, national security interest, to the United States than ringing the border with Aerostats.

Question. I am not disagreeing with you that crop substitution or control at the source is the most effective approach. What I am saying is, has the Policy Board or anybody in the executive branch ever looked at that question? Right now it is a matter of debate and no one seems to have the answers. We don't have any idea of whether interdiction is cost effective versus crop control. And frankly, my impression is that no one has ever looked at that.

I guess my question is not which policy is the most effective but what is the executive branch doing about determining which allocations are most effective? It seems like right now it is a de facto policy. Each agency comes up, begs for more dollars, and then we have these petty squabbings. When Congress allocates that money, then the executive branch comes back and say you are not following our policy.

But there is nothing for Congress to turn to, to say that interdiction is more cost effective or less cost effective, we should be putting more money in international programs.

I guess what I am saying is, have those strategic decisions been made? Have we assessed the cost effectiveness of various components of our drug strategy?

Ms. WROBLESKI. I thought I answered that by saying that the Policy Board having pulled together in its existence of a year the entire range of the strategy, the task before us now is to first figure out what those assets are and what percentage of those assets is drug related, and then to sit down and look at the budget numbers and try to figure out and make some decisions on what is more effective, what is more efficient.

Let me say that the omnibus drug bill, if nothing else, is going to force us to do that. Suddenly we have a lot of resources to fight over, and Congress' decisions or lack of decisions, depending on what side of the aisle you are on, are going to force us to take a hard look at that.

Mr. REUTER. Could I add something? This is a resource allocation question. I don't think you can fault the Policy Board for not having a justification of the current allocation. We have no way, with the data that are currently available, to compare the effectiveness of different kinds of programs.

Even our measures of how much is consumed are extremely approximate. We have trouble in making year-by-year comparisons as to whether consumption has gone up or down, let alone what the absolute amount is.

I, of course, would love to have Congress require that money be spent on improving the data and carrying out the proper analysis. I assure you that if you decide to do that tomorrow, five years from now you will be able to get some decent answers. But it is that kind of a program.

I agree the Policy Board's allocation is simply a matter of taste, and, more importantly, of bureaucratic power, but I am not sure that there is any other basis at this stage for making those decisions. You cannot say what you get at this stage from putting another million in source country programs, or a specific source country program, as compared to putting a million dollars into more customs agents.

Mr. PERL. One of the things I think that Dave might want to address is, if we spend \$500 on an operation, hypothetically, to seize drugs and we seize \$500 million worth of drugs, is it cost effective? And his agency apparently does a lot of that.

Mr. WESTRATE. Well, yes, just to comment on that, and then I will back up a second, too. You know, new laws by Congress have given us new tools. For example, last year within DEA we seized more than our budget in assets—\$390 million. The pace this year, we have gone over \$200 million and it is climbing. So we are almost, in effect, paying our own way.

New laws also allowed us in Pisces, for example, to offset all of the expenses in that program using trafficker funds because we took a commission, which is legal under the Attorney General guidelines, and so forth. So it is not costing us a whole lot, in theory, to do that kind of a thing. The impact is enormous.

The Policy Board on crisscross budgets, I think—the Policy Board is only 1½ or 2 years old in terms of really getting rolling, and the legislation that was passed last fall was quite specific from the Congress. Moneys were devoted to specific functions: \$10 million for a Bahamian task force, for example, and money for Aerostats.

You know, the administration or the Policy Board has a very difficult time not taking that and saying, well, thank you for all of the money in all of these categories. Now we will sit back and see what is more efficient and redirect it. That is very tough to do, and I don't think that the Board has really had enough time yet to sit down and, in effect, do a crisscross. You will see more of that, I think, in the next year or two as the Policy Board starts to get itself settled down and move forward.

Programs Must Keep Pace With Changing Circumstances

But the target is the important thing here in terms of what programs are more effective. Let's take an example. The interdiction programs in the Caribbean have caused cocaine to move through Mexico. Now that is a shift. Now that means we have to redeploy a lot of resources from many agencies to address that, including resources by the Mexican Government. Comment was made about the 5,000 pounds, or kilos, of cocaine seized in Mexico. That is very good. That is a very good effort there, but you have got to adjust.

Now we have two fronts for cocaine, not just one. And the fact of the matter is, well, if 30 percent moves through Mexico, there is still 70 percent moving through the Caribbean. Now let's say we shut down cocaine smuggling by air. Let's say we get Aerostats up and we get good interdiction systems and command and control centers and all of that stuff, and we now stop cocaine moving by air. What is going to happen? Before we even turn the lights on all that equipment that cocaine is going to start moving in in containers. In fact, it already is.

Now we have got a different problem here. We have got to focus on containers. A whole new different matrix of problems and things that have to be done. How do you search a container? If you look at these major ports where these containers are stacked four and five deep and the Customs Service is only able to search maybe less than 5 percent, less than 2 percent, I mean that is an enormous capacity. So we will have deployed enormous resources which has caused an impact, and if you look for well how many seizures have you made with your Aerostats, the answer is going to be zero, and now we are focused on containers. Not only in goods in containers, but physically in the metal of the containers themselves.

And if we stop that, we are going to go back to body carriers, we are going to go back to cruise ships, we are going to go back to fast boats out of Bimini or we are going to go around the Horn. Like we have seen some cases, coke, going through Africa up into Europe, and down through Canada.

So how much can we deploy around the border. We have to have some certainly, but we have to also realistically focus that cultivation if we are really going to not have to spend enormous amounts of money on all of the other fronts that potentially face us.

But that is complex, too, in terms of the farmers, the peasants. The Bolivians say, what do I do with the 400,000 people, I think, and that is an accurate figure—400,000 people whose lives, their daily bread, their families, are dependent upon the fact that they are involved in coca production.

Ms. WROBLESKI. 350,000.

Mr. WESTRATE. 350,000. That is an important question. If we want to be impractical and say that, well, we don't want to worry about the farmers, we just want the coke flow stopped, that is not realistic because the foreign government has to deal with the farmers. Many of these countries have gone through a major displacement of the peasant farmer who, before, used to be a tin miner, for example. They have just wrestled with the problem of major relocations of people.

Now these governments are faced with a similar situation again, and this has to be factored into whatever the solutions are.

So the bottom line again is that solutions to these problems must be multi-faceted and extremely complex.

No Major Trafficking Shift From Marijuana to Cocaine

Question. I have a question for Mr. Westrate. I have heard anecdotal evidence that as a result of greater profitability of cocaine, greater success of enforcement efforts against marijuana, there has been a shift by some smuggling operations from marijuana to cocaine. Do you have any comments on that?

Mr. WESTRATE. I don't see such a shift, but it is true that we are making progress against marijuana trafficking. The Colombian Government's herbicidal eradication program, which has been in operation for 12 or 15 years, is having an impact. Now, again I don't see a major shortage of marijuana yet because there are other sources. Thai marijuana is starting to move to the United States and our domestic cultivation is substantial.

To sum up my answer, I do not see a major shift from marijuana trafficking into cocaine, although some of this might be happening on a sporadic basis. But a major trend? No, I haven't seen it. Before such a trend would happen one would probably have to do away with some of the cocaine structure in order to have absorbed these other people.

So I don't see—we are not seeing mixed loans and we are not seeing a lot of crossover. It may develop as a trend, but not at this point.

Structure of Cocaine Industry

Question. This is for anybody on the panel who would like to answer. I will focus on the cocaine industry, which seems to be the most profitable at this point.

First of all, question one, is what percentage of the total cocaine industry is completely vertically integrated; that is, the same folks involved at the production end as well as the distribution end.

And, second, focusing on the most profitable aspect of the operation, that is, at the retail level, what kinds of new things can people start thinking about to increase the risk and increase the price that the retailers might have to bear in order to sell at the

retail level, putting it in the economic terms that Mr. Reuter talked about.

Mr. WESTRATE. Let me address the structure first. Cocaine traffic is fairly structured at this point, and again we speak in terms of cartels or organizations, whatever term of art you want to use. The major cartels control cocaine traffic at this point.

Now that isn't to say there aren't some independents who are dealing directly with sources in Bolivia for example. But when one speaks of weekly shipments of 1,000 or 1,500 pounds into Los Angeles, and the flow of money that controls the distribution system, that system is quite structured and has been in place for quite some time. I have no idea how many Colombian traffickers there are in the United States heavily armed, heavily equipped and working in this country, but it is substantial.

Increasing the Risks to Cocaine Users

On the risk to user question, I would like to answer that with a question. How tough do we want to be? How serious are we, really? For example, one notion that is floating around is why don't we take driver's licenses away from people who are using drugs? If you are caught with, say, cocaine for abuse, why doesn't the State take away your driving privileges?

What consequences are there to employment? Is the Federal Government willing to say if you are caught taking drugs you will be terminated? Look at the debate over that issue with drug testing alone. How serious are we, really, when it comes to drug testing? Is one pass enough? Are two passes enough? How do these things impact upon our national security access to classified information, people's motivations and so on?

Someone asked about the addiction capabilities of cocaine. Crack use, to me, from what the medical experts say is as addicting as heroin. It is an extremely addicting form of drug abuse. What does that portend for people's ability to be bribed and so on?

So I think there are a lot of things we can do consequencewise to raise the risk and get the mass of people away from using drugs such as cocaine so we can begin to deal with a smaller population of hard core abusers.

Question. Anyone else care to comment?

Mr. REUTER. I would be surprised if there was a significant number of organizations that integrate from growing through to final retail sale.

In the heroin market, the Herreras in Chicago were fairly unusual in that respect. They really did take it from a Mexican farm to Chicago street user. But I have always regarded that as a fairly deviant organization. Others seem to sell at the wholesale level, with integrations back only to refining.

The retail enforcement—David's point about non-prison sanctions as a cheap way of raising the penalties to users—is very attractive.

The problem is that, at this stage, we in fact arrest relatively few users. Furthermore, most of those we arrest are the street users who are less susceptible to that kind of sanction. If we can get users who are Rand researchers or CRS staff members to worry

about this, that's one thing. Though I haven't kept up with the figures on cocaine arrests, I suspect that a lot less than 1 percent of current users are arrested each year. And most of those are not Rand researchers. They are more likely to be street people for whom those nonpenal sanctions won't be terribly significant.

Level of Cooperation With DEA in Colombia and Peru

Question. This is a DEA question.

We recently went down, took a Congressional trip down to Bolivia, and I think the whole group was impressed by the level of cooperation between the Bolivian Government and DEA working in the field.

Do we have that same level of cooperation as far as DEA is concerned in Colombia and Peru? To what extent DEA people are able to call the shots in the field in these two countries?

Mr. WESTRATE. I think the way we work varies country to country based upon what is appropriate, what the capabilities of the host country people are logistically, equipment wise, structure wise and so forth. So it's not the same everywhere.

I also think what we attempt to do is to provide what is necessary to accomplish the mission.

In one country, Ann Wroblewski's office may lease helicopters that are piloted by DEA pilots; whereas, in another country, the aircraft used might be host country military aircraft that are piloted by contract, piloted and paid by INM.

So we have to tailor each activity to the circumstances.

Question. Well, let me put it another way.

Would you say that the level of cooperation in Colombia is equal to that of Bolivia, or is it better? You have more resources operating in Colombia, don't you? It seems to me that Colombia is a country where major cartels are based.

Mr. WESTRATE. Today, the Bolivian level of cooperation is very good. Two years ago, it wasn't. And for quite sometime prior to that, it wasn't. This is, I think, a very positive sign.

In Colombia, the circumstances are different because Colombian institutional structures are stronger. The Colombian National Police are capable and the military is capable. This then leads to other policy issues for example, raiding a cocaine laboratory that is in insurgent-controlled territories and what political implications it may have for the government to make that type of a raid, or of the dangers involved.

You know that the Bolivian cocaine lab raid program was fairly nonviolent. And hopefully it will stay fairly nonviolent. However, that is the absolute opposite of what happens in Colombia. And Peru is kind of a mixture of both.

But we do provide the guidance that is required. For example if a cocaine lab raid is required in Colombia, the planning of that raid would probably require very little input from us. Whereas, in Bolivia at this point, it probably would require quite a bit more from us in terms of tactics, timing, communications, and logistics.

Synthetic Drugs as Substitute for Drug Imports

Question. Mr. Westrate, you touched just briefly in your original presentation on the growth and the number of domestic labs. You referred to them as dangerous drug labs and didn't get into the question of the synthetic drugs.

In connection with that, what do you think would happen if we were to succeed in absolutely cutting imports down to zero? Would drug users stop altogether or would we just create a protectionist kind of situation for those domestic here?

Mr. WESTRATE. I would say this, that if we did not have any change in drug abuse attitudes right now, and we shut the borders completely, you would have people turning to other drugs.

Methamphetamine is often referred to as a poor man's cocaine. PCP and other kinds of laboratory activities are growing. I am very concerned about that.

Also lurking in the shadows here is a very substantial increase in worldwide heroin supplies, at least as seen from a law enforcement perspective in terms of seizures. There is a lot of heroin being seized around the world.

Now, it hasn't turned around and headed in here, but what are we going to do if this starts flowing towards us in a stronger fashion? Remember that the infrastructure exists for this.

I mentioned Nigerians and I also mentioned Pakistanis. Pakistan-Afghan production is increasing right now.

So we are not in great shape in terms of heroin availability either. The current decrease in usage is allowing us to focus a lot of our energy on cocaine, but heroin could raise its ugly head at any time and cause us more trouble.

PARTICIPANT. Well, I didn't mean that to be a cocaine versus heroin question.

Suppose we were able to cut out imports of cocaine, heroin, all the natural drugs coming from abroad, and just leaving out domestic marijuana production with the threat of the synthetics, plus the dangerous drugs, more traditional dangerous drugs.

What would we have?

Mr. WESTRATE. We would have a substantial drug problem. But I think the magnitude would be lower because you don't find many cocaine abusers also taking methanphetamines. But, to some extent you would have a crossover if you couldn't get coke any more. But how many of the coke users would start using other drugs? Certainly a percentage, but not 100 percent of them.

PARTICIPANT. If I go into a liquor store and they are out of bourbon entirely, I will probably take Scotch even though I might not like it.

Mr. WESTRATE. I think that would happen. I would agree with you. Certainly our drug problem would not go away by any means. And all too often, particularly in this type of forum, we focus on international aspects of the drug problem. But, we have got to keep in mind there is another half of this problem which is internal.

PARTICIPANT. That has a lot of implications too for the way we allocate resources.

Mr. WESTRATE. Yes, it does.

Mr. PERL. Mr. Reuter is burning in his seat to answer this question so I think we will give the floor first to Ms. Wroblewski if she has a comment on it. [Laughter.]

Ms. WROBLESKI. Peter, please go ahead.

Mr. REUTER. The heroin users now are classically polydrug users. Every research study finds the same patterns. Moreover, when heroin was less available in the late seventies, in Washington they turned to T's and Blues and other substitutes.

Ms. WROBLESKI. Yes.

Mr. REUTER. Cocaine users probably are classically single drug users. If they use cocaine, they may well not be interested or capable of finding other drugs. I think it very much depends on the commitment of the user population.

Heroin users hang around with methamphetamine users, et cetera. Cocaine users are likely to hang around only with cocaine users. If you really were able to cut off cocaine from coming into this country, you would in fact have a significant impact, particularly on middleclass, incompetent, drug use.

Effectiveness of U.S. Campaign Against Drugs

Question. I would like to ask a question to which there is probably very easy to answer, and I am glad you are still here, Ms. Secretary.

I want to talk about our own campaign against drugs here in the United States, and I certainly welcome your input to this.

I want to know how effective is our own structure, our own Government structure for the overall campaign against drugs. I can't think of a Federal nor even a State agency that isn't involved somehow, and I am sure none of them want interference.

But I am also disturbed by some of these differences of opinion whether our policy should be across-the-board suppression or whether we should go to the user country sources, or what.

But somewhere, some place, someone is operationally in control of this, and they can take action where the most effective place is.

I certainly share your concern about how difficult it is to really know dollars and cents in some of these things. But, by the same token, we can't go on, I don't think, working piecemeal. It doesn't do any good in my mind to have Mexico stop production and have two other countries fill in as quickly as they can. Is there somebody who is looking at the overall picture and who can say here is where we need to put our emphasis and get State on the same sheet of music with DEA and Justice, et cetera?

Ms. WROBLESKI. I'll tell you the problem.

It is my view that somebody—I don't know who—in the seventies, in reaction to political or popular pressure, decided that we were going to put our emphasis on one place.

Elements of an Effective Anti-Drug Policy

We spent a lot of time and energy, people like David, overseas on enforcement operations, and here in the United States on enforcement operations. And, lo and behold, the left hand was suggesting on the floor of Congress that we decriminalize marijuana. You can't separate demand and supply. It's that simple. You've got to

move, in my view, you've got to move in the field; you've got to move in interdiction; you have got to move in research; you've got to move in prevention.

It's got to be illegal to grow cocaine in Peru. It's got to be illegal to process it into cocaine in Colombia; it's got to be illegal to move it through the Bahamas; it's got to be illegal to distribute it in the United States; it's got to be illegal to use it in the United States.

Until you can enforce that chain, I don't think you are going to touch the problem.

Effectiveness of U.S. Governmental Structure To Combat Drug Problem

Question. Is someone doing it? That's my question. Do we have a structure to see it through?

Ms. WROBLESKI. The latest estimate is that you've got 37 Federal agencies and departments who are involved in drug abuse, on the health side, enforcement side, whatever side you want to say.

I personally don't think that making one person responsible for all of that makes a lot of sense.

What I would prefer to see is for the system within those 37 agencies to work better. And I think that that's what the Coordinating Board and the Drug Policy Board arguing will continue to do.

I think when you've got a problem that permeates every level of society and every part of foreign policy, domestic policy, enforcement policy, and which involves medicine research, you can't create a single one person or one department, who can answer every question because so many agencies are involved.

It's not like Energy or Education. We are spread across the gamut. Everybody is involved. That's good. Makes us work better. Don't take the responsibility away from us and give it to one person.

Question. Is there a chance for these people to be working at cross purposes? I'm not saying everybody should be out doing the operating, but I would submit that unless we have some structure for knowing who is doing what and without a pie that's divided, that we are really going to be spinning our wheels in a lot of different directions.

Ms. WROBLESKI. I think the structure is in place with the coordinating group. I sit for State on the coordinating groups, and it's Assistant Secretaries and heads of agencies. And it has not been an easy process, basically because we have a lot more money to argue about.

But clearly, at least, where my interests lie, which is 12 miles out, we insist on cooperation, mostly because, we are futzing here with foreign policy and we take that very seriously.

I can't speak about domestically, but I know certainly that once you get past the ocean, we force cooperation.

LSD Seizures in the United States

Question. Recently there have been a couple of interdictions or seizures in the United States of LSD, a couple hundred thousand tabs of LSD.

Is that an international problem, or is that something that is just here in the States?

Mr. WESTRATE. LSD right now is a specialty item. The abuse of it is down. Someone mentioned earlier that the drug is getting a bad reputation. The LSD we see today is also about half as potent as what we saw years ago.

There was a massive lab in San Francisco that was supplying mostly Canada. We documented some 70 trips to Canada of over 200,000 dosage units per trip in the past 1½ years or so.

So, yes, there is LSD trafficking. On a magnitude of other drug problems, however, it is relatively at a low background noise level. And we do pay attention to it. We are going to try and keep this down.

Methaqualone is a success story. There are a number of synthetic drugs that you can point to where we have made some progress, but they have not completely disappeared.

Comparison of Effectiveness of U.S. Domestic Anti-Drug Efforts to Those of Other Countries

Question: One of my concerns is about the effectiveness of some of the conditions against the foreign countries. And one of the things I would like is to get some sense of how effective we in the United States are in the areas that we are expecting success in from the foreign countries.

It seems to me that we can only demand that the foreign countries be effective in these areas if we ourselves are effective. And I wonder if it is true that we are more effective in these areas than the foreign countries?

Are we effective in eradication in our own country? Are we effective in enforcement? And are there some criteria that you could measure so that we could say we are on a standard that gives us the right to demand more of others?

Mr. WESTRATE. Well, I could point to a couple of things.

First of all, in the enforcement area, there were 18,000 arrests made by DEA last year which is a significant increase over the previous year's arrests. Our conviction rate is very high. So the people that are investigated and arrested generally go to jail.

One of our frustrations is major traffickers, such as Pablo Escobar in Colombia. How many times do we need to indict him in the United States? We are indicting in case after case, including operation Pisces. So the question then becomes the ability to extradite.

We must make our drug response transparent to borders if we are to be effective. I think the U.N.'s Vienna Conference is critical in terms of being able to line up certain techniques, for example, using wire taps and, having extradition be more effective. Extradition does not have to be a one-way street. Some U.S. citizens have been extradited to Colombia.

The issue is not where people get prosecuted. I think it is wonderful that Panama seized \$8 million in Operation Pisces and will put that money in their treasury. The United States doesn't have to be the country doing the seizing or prosecuting.

Now, speaking of U.S. domestic effectiveness, domestic eradication is effective in the United States. I think the program is a good

one. We have the ability to use herbicides and we are using helicopters. So, as far as I am concerned, the extent to which that program is effective will depend on how much resources one throws at it.

There are really no major impediments to U.S. domestic anti-drug efforts other than the amount of work to be done and the number of people available to do the work. U.S. efforts domestically are not to a great extent compromised by issues much as corruption.

Question. Do we set targets?

Mr. WESTRATE. Yes, we do.

I think the target program, which is basically run by State and local agencies with some financial support and support and coordination done by DEA on a national basis, is more effective.

Target numbers go up every year. We get better. We make bigger cases. We have got more money to spend.

And so the system in this country, in my opinion, is fairly efficient. It is, I think, productive to the extent of the resources provided.

The one side which I think needs improvement is demand reduction. Now, we are unique in that respect in that we have more users in this country than, say, Mexico for example. A lot of people say, well, Mexico for years hasn't had that much of a drug abuse problem. But I think drug abuse in Mexico is beginning to build some.

If you look at Colombia, they have a terrible problem with bazuko-smoking cocaine. We call it crack, they call it bazuko. It's a dirtier type of coke. But, 5 years ago, there was none of this and Colombia was not a country with a cocaine abuse problem. Today they have an enormous problem. So, now Colombia is also coming to us to say let's look together at our demand reduction programs. What can we do?

I think the dynamics of such co-operation in the area of foreign demand reduction will develop in time. But we do have to achieve the results in the area.

Need To Restrict Precursor Drugs

Question. The question is this: as far as for cocaine to exist, you need acetone, you need ether.

In Bolivia, you know, we are talking 55-gallon drums. I don't know how much they weigh, 100 pounds, something else. Unlike cocaine where you can just carry it around and put it underneath your shirt or whatever.

But what are we doing as far as in South America, Bolivia, Colombia, Peru, about the supply of acetone and ether, and making it hard for them to obtain these chemicals? It seems to me it must be not too hard to see how they are getting 200 barrels of ether out into the jungle to a lab. You know, it seems like it would be something that we could—

Mr. WESTRATE. I'm glad you asked that question.

The scope of the problem has caused us to try to get a tag on it in any way that we can. One way to do that with cocaine is through chemical control.

Now, 5 years ago, ether and acetone were almost exclusively used in the conversion of cocaine. You take a 55-gallon drum of ether and you can make 12 kilos of cocaine out of that when you are done processing it. You can go here in Washington to a chemical supply house and buy a barrel of ether for \$400.

We do have a chemical control program. And this is where I return to attitudes again. Most of the ether going to South America to process cocaine was coming from the USA. Now, where is corporate responsibility in that? A lot of ether also comes from Germany, some from Red China. There are a lot of places around the world ether is flowing. Brazil is now quite a producer.

So we do have a sophisticated chemical program in place. We met as recently as a month ago, with all the heads of law enforcement in South America. Chemical control was one of the key issues discussed.

Need for Chemical Control Legislation in the United States

Today, the price of a barrel of ether in Colombia is \$7,000 to \$10,000 because we have made it scarcer. We are proposing chemical control legislation for the United States. And we would ask that those of you who would be involved in the legislation process work with us on that. We have to begin to control the flow of chemicals, not only for cocaine, but in the chemicals it takes to make these other drugs I spoke of in the 509 laboratories, methamphetamines, PCP and so on.

So we have got to tighten up our own industries.

Now, the bad news here is that, because we have been effective in controlling ether and acetone and making it more difficult to get to, the traffickers are now turning to other solvents. For example, one of the things they're using is aviation fuel. We are seeing benzene show up in cocaine exhibits, and we are not clear as to what this means. The best thing I can figure out from the chemists in working on this question is that the benzene is resulting as a by-product of using avgas as a solvent in processing cocaine. Toluene is showing up, methyl ethyl ketone. There is a whole list of alphabet soup chemicals here that we could talk about, about a dozen altogether that are being used in these processes in different combinations, and nobody has the slightest idea what the health consequences of this are.

So we come up with an idea, we attack the problem, and it causes the problem to become more complex to address because the traffickers diversify chemicals, and seek out different sources.

FINAL COMMENTS

Mr. PERL. I want to thank our panelists, and I want to thank those who attended for their participation and assistance in making this a productive program.

Thank you.

[Whereupon, at 12:20 p.m., the meeting was concluded.]

APPENDIX

PREPARED REMARKS OF
ASSISTANT SECRETARY ANN B. WROBLESKI
to
CONGRESSIONAL RESEARCH SERVICE SEMINAR
"Combatting International Drug Cartels"
May 8, 1987

MR. CHAIRMAN:

Introduction

In all of our recent appearances before Congress, we have urged Members to reconsider the nature of the narcotics enterprise.

You seek to legislate solutions - but legislation is an appeal to reason - that falls on deaf ears of unreasonable people who traffic in drugs.

We are dealing with a criminal enterprise.

Whether it is the Medellin cartel in Colombia, or a loose knit federation of families in Bolivia, or the hierarchy of major narcotics criminals in Mexico, or the five families that historically have comprised the Mafia commission in New York -- these are criminals, driven only by greed, knowing no allegiance but to themselves.

The dominance of criminal cartels atop the global narcotics trafficking network has critical implications, not only for the makeup of international narcotics policy and the makeup of our control programs, but for U.S. foreign policy.

I will use these opening remarks to illustrate how our program mix and program policy have changed, in good part due to the existence and practices of these cartels, and conclude by discussing implications for foreign policy.

Implications of Cartels to INC policy

In the final analysis, if we are to succeed in reducing the availability of illicit narcotics in this country, there is no alternative to outright bans on cultivation, enforced by eradication. But, the lessons learned since the Turks successfully enforced their opium ban in Afyon province, is that there must also be sufficient interdiction and enforcement capability to seize contraband and financial assets, and to arrest and prosecute major traffickers.

Increasingly, U.S. policymakers believe there must be enforcement campaigns designed specifically to destabilize and ultimately eliminate the incredibly powerful narcotics trafficking organizations and cartels that control the trade, literally from the farmgate to the street user.

To combat this menace in all of its forms, we have had to change our program mix and give priority in our policy to new methods and concepts of enforcement.

Thus, a comprehensive international narcotics control program includes not only commodity and technical assistance for eradication and interdiction, but modern day anti-crime tools, such as: extradition treaties, agreements on money laundering investigations and other mutual legal assistance, complimentary asset forfeiture and seizure laws, and the whole array of scientific and electronic gadgetry needed to monitor the wholesale movement of money and contraband that are the hallmarks of the narcotics trade today.

Extradition

The importance of extradition as a weapon in narcotics control was vividly demonstrated in February when Colombia arrested and swiftly extradited cocaine kingpin Carlos Lehder. Lehder personified the power of the cartels. Not only has the Medellin cartel reportedly been responsible for hiring the killers who have committed many if not all the recent major assassinations in Colombia, but Lehder acquired radio and newspaper interests and mounted an extensive public campaign against the extradition treaty. President Barco, who reaffirmed the extradition treaty after it was challenged in court, has shown highly commendable leadership on the whole of the narcotics issue, including extradition.

Congress believes more use should be made of extradition as a tool, and required us in statute to give more priority to concluding new or revised treaties. Our annual report to Congress confirms that many of our extradition treaties are outdated, and that State and Justice are busily negotiating new treaties, including several with source countries such as the Bahamas, Malaysia, Costa Rica, Thailand and Jamaica.

But, for long-term enforcement effectiveness, the task is not to make our laws work in another country through extradition treaties, but to help other governments make their laws work. Traffickers must be convinced that they can be arrested, prosecuted and imprisoned for long terms, under the laws of their government, by policemen, prosecutors, and judges who cannot be bought or bullied.

Money Laundering Investigations

Money laundering has been given special new importance by Congress, which, in the Anti-Drug Act of 1986, made it one of the three major criteria we must use in assessing cooperation from narcotics source and trafficking countries.

This new emphasis on cooperative money laundering investigations has given an even higher priority to this activity as part of the international narcotics control policy and program. As we said in the special money laundering chapter of our annual report, there is broad agreement between the Administration and Congress that much more action needs to be taken by the United States and foreign governments to curb narcotics money laundering.

We urge the Congress to consider carefully the findings of this first report, and particularly our conclusion that the money laundering issue is not a matter which dominates our assessment of any country, to the exclusion of all others. In this regard, Congress was advised of the opinion by State and other agencies that the presence or absence of a Mutual Legal Assistance Treaty is not, by itself, a controlling factor in assessing cooperation, and should not be held out as such in legislation.

Moreover, we found that narcotics traffickers, like others who have to move large sums of money, prefer a climate of political stability, in countries with hard and stable currencies, and sophisticated financial systems, with no foreign exchange controls and regulations that assure bank secrecy but little or no tax liability. And, where possible, they prefer countries with government systems where large scale bribery and corruption are available options. Historically, drug money laundering centers have developed where some combination of these factors exist, such as in Panama, the Bahamas, Switzerland, Hong Kong, Singapore and the like.

The guidance here, both for our enforcement efforts and your legislative consideration, is that narcodollar laundering operations are usually isolated from production and trafficking

activities, not only because of the enforcement pressures we apply to these activities but also because traffickers prefer to keep their operations compartmentalized.

I want to note, in this discussion of money laundering, the testimony given to the House Committee on Banking, Finance and Urban Affairs on Wednesday by Assistant Secretary Keating of Treasury and Assistant Attorney General Weld of Justice. The provisions of the 1986 Money Laundering Control Act have given us important new tools, which were used shortly after passage of the Act to arrest and indict six members of the Madrugá organization, a Colombian group which had been actively laundering money but which could not be interdicted under the old Bank Secrecy Act. Their testimony highlights other cases being developed, and overall emphasizes the benefits of our working closely with the Congress on these issues.

Other Activities

There is no question of the priority we must continue to give to arresting and prosecuting traffickers, seizing their contraband and financial assets, and disabling their money laundering systems. But I think we need to do even more in the way of destabilizing these cartels.

Congress has given us a new authority which my Bureau sought, and last month we sent cables to our Ambassadors in several dozen countries explaining our new narcotics rewards payment program. Our goal is to facilitate the arrest and prosecution of major traffickers, people like Carlos Lehder.

We can now offer rewards of up to \$500,000 for information leading to the effective arrest and/or prosecution of major traffickers. Under guidelines approved by the Secretary of State and the Attorney General, our chiefs of mission can propose a reward for a particular individual, based upon consultation with the DEA country attache, our narcotics personnel and other Embassy officials. When proposed to me, I will consult with Jack Lawn, the DEA Administrator, and prepare a recommendation to the Secretary, who in turn consults with the Attorney General. These reward offers may be made public, or quietly through informant channels.

We hope to make offers where appropriate in cooperation with host governments.

At minimum, we hope to sow distrust in trafficker organizations. Ideally, we would bring to justice men and women who have eluded us for years.

Implications for Foreign Policy

Staying within the bounds of the approach I have taken, to not only complement the testimony of others about the nature of these criminal cartels, but to give guidance to Congress on the legislative solutions, if any, that we think are appropriate, let me now address the second part of my charge -- the implications of these criminal cartels both to foreign policy.

There is a parallel here with our crop control efforts. The temptation on the Hill, and elsewhere within the Government, is to set reduction quotas that narcotics source countries must meet to be eligible for U.S. economic and military assistance. There are two problems with quotas: these countries are vulnerable to factors affecting production over which they have little control, such as an upswing in price during a period of good weather; moreover, because this is an illicit, even clandestine enterprise, setting quotas is one thing, and enforcing them is another. This is not like setting the U.S. sugar quota, or deciding how much acreage in Iowa can be planted in corn. These farmers are paid by criminals, their farms are frequently in areas outside the control of the central government, the narcotics crop may be

their principal or only cash crop, and the traffickers pay better. So, we need to understand, Congress needs to understand when it considers sanctions tied to production, that the economic arguments are all on the side of the trafficker.

We are dependent upon the central governments having the political will and capability of enforcing their writ throughout their territories. Turkey succeed in eliminating illicit opium production because it had that will and capability; Mexico succeeded in the Seventies with our resource support because it had that will and capability. The Pakistani effort, successful for several successive years, faltered in 1986 under a new government that had not yet proven to the traffickers that it had the will to enforce its laws.

Few other governments present to us quite the same will and capability. So, when we assess our goals for a given year, we not only have to consider the array of other foreign policy considerations, but whether these governments can in fact achieve the goals we would set for them.

Before addressing that implications of cartels to that foreign policy assessment, let me digress for a moment to talk about those other foreign policy considerations.

There are some in Congress who accuse us of deferring the narcotics issue to those other considerations. That is simply not true. In some countries, like Bolivia, narcotics control is the highest foreign policy consideration in the programmatic sense. But, no reasonable person can deny that, in Pakistan for example, we have critical East-West and security issues to be considered. The task, and it is never easy, is to achieve a wide range of foreign policy objectives, with none suffering at the expense of the others.

Increasingly, the narcotics issue drives much of the bilateral agenda, figuring prominently in discussions by the President, Vice President, Secretary of State, Attorney General and of course by we Assistant Secretaries.

And, in many instances, our daily concerns are about these cartels, and the insurgent groups that are also involved in narcotics trafficking.

From a foreign policy perspective, the critical reality is that these groups pose a threat to the national security and economic stability of too many countries. In some, they actually control the territory where narcotics are cultivated.

In Burma, the key Shan State growing areas are under the control of the Burma Communist Party; the BCP, the Shan United Army and other warlord groups dominate the heroin refining and trafficking along the Thai-Burma border. In Peru, the Maoist Shining Path movement, a true terrorist organization in the classic sense, contends with the government for control of the Upper Huallaga Valley, site of much of the coca cultivation. While the Shining Path, or Sendero Luminoso, does not engage in drug trafficking, its members do attack the people who work on our narcotics control programs; moreover, the traffickers find this presence useful because they imitate the Maoists when they attack police stations and kill coca control workers.

The threat to national security is most vividly and violently manifest in Colombia. The traffickers have intensified their campaign of terror in the last two years, because the narcotics control program has become more effective. Judges, ministers, police officials, journalists and private citizens have been victims of assassination attempts. The shooting in Budapest of Colombian Ambassador Enrique Parejo Gonzales, the former Minister of Justice, demonstrated the Colombian traffickers' long reach and memory.

Today, judges are unwilling to hear narcotics cases, for fear of reprisals, and we are heavily reliant upon our extradition treaty which is under continuous attack. Carlos Lehder bought radio stations and newspapers to mount a public campaign against that treaty, which the traffickers fear more than the laws of their own governments.

Thus, in Colombia, where the United States has many national interests, an issue which colors many other foreign policy initiatives is that Colombia's government is under siege by the narcotraffickers, locked into a struggle which President Barco knows he must win. These are brave people, engaged in a grim struggle we have never had to face in our country, and, we know we must help.

So, it is not just a case of providing narcotics control assistance, but of providing appropriate training for police professionalization, of providing assistance under the Administration of Justice program, of providing protection and other assistance to the targets of these terrorist-style campaigns of intimidation and assassination.

Conclusion

Narcotics control issues have many implications for our program policy and foreign policy; you have asked that I focus on the particular implications posed by these criminal cartels. I trust these examples provide the guidance you seek. I will join the panel in answering your questions.

NATIONAL DRUG POLICY BOARD, INTERNATIONAL STRATEGY¹CHAPTER V: INTERNATIONAL DRUG CONTROLINTRODUCTION

Most of the illicit drugs purchased and consumed in the United States are cultivated and processed in foreign countries. America's international drug control program seeks to break the chain that links farmers in those drug producing countries to users in the United States by stopping the flow of drugs as close to the source as possible. Currently, foreign production of illicit drugs significantly exceeds estimated worldwide demand. Therefore, to reduce the supply of illicit drugs in this country, the United States is determined to reduce cultivation by an amount far greater than that which is consumed here.

The United States continues to place the highest diplomatic priority on enlisting international support for drug control efforts. Achieving the international program's goal depends heavily upon the outcome of efforts to marshal a global response to the problem. International anti-drug efforts foster the control of illicit drugs by enlisting the political and economic resources of other governments.

The international program seeks to reduce the supply of drugs through assistance to foreign governments in crop eradication, interdiction close to production sources and along trafficking routes, the arrest and prosecution of major traffickers, and the seizure of drug-related assets. Drug demand reduction and public awareness programs in source countries are also important components of the international program.

The United States continues to expand its program base with the goal of obtaining effective eradication programs that operate simultaneously in all drug producing countries. Progress has been steady in this area. Many governments have joined the United States, long the predominant sponsor of drug control

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¹ Source: U.S. Government, National Drug Enforcement Policy Board, *National and International Drug Law Enforcement Strategy*, January 1987.

programs, in a more vigorous international program, and have assigned higher foreign policy and domestic enforcement priorities to the drug problem.

These countries look to the United States not only to participate in their drug control efforts, but also to demonstrate its own resolve in reducing domestic drug production and demand, and in effectively prosecuting drug traffickers. Mobilizing national attention on the U.S. drug abuse problem, curbing domestic cannabis cultivation, and improving the record of successful prosecutions send a welcome message to other countries facing the drug problem.

CONSTRAINTS ON EFFECTIVENESS

The ability of the international program to reduce the supply of drugs is constrained by several factors. Sharply increased demand for drugs in the growing regions has contributed to sustained production at high levels. Some governments lack sufficient political will to control drug production and others lack effective control of growing areas. Furthermore, when sufficient enforcement pressure is applied to one area, drug traffickers are often able to shift their operations to other areas, or even other countries. In addition, the success of U.S. supported initiatives is dependent upon the effectiveness, efficiency, and commitment of foreign officials.

The enormous illicit wealth of traffickers in some countries provides a corrupting power base that can destabilize legitimate government institutions. Trafficking groups may develop stronger political leverage than the central government. In some countries, the growing and processing areas are controlled by political insurgent groups that have engaged in drug trafficking directly or in concert with trafficking organizations. Drug-related violence severely hampers drug control efforts in

some areas. Also, the lack of timely intelligence on the movement of contraband inhibits the effectiveness of interdiction and other international actions. Finally, control efforts are constrained by the nature of U.S. political relationships with some drug producing and transshipping countries.

MEASURES OF EFFECTIVENESS

Although the factors described above constrain the effectiveness of the international program, progress has been made and is gauged by a variety of methods. These include reductions in availability within the United States of specific drugs from specific sources; forced shifts in cultivation and trafficking patterns; shifts in prices at the wholesale and retail distribution points; changes in the price of precursor chemicals; and reductions in global cultivation and refining of particular drugs. Curbing corruption, reorganizing drug control forces to increase efficiency, and improving communications can also be important contributors to progress, although they do not easily lend themselves to quantification.

Program performance also is measured incrementally each year by: increases or decreases in arrests and drug and laboratory seizures; increases in the number of effective prosecutions and extraditions; consummation of international agreements; and improvements in control strategies through aerial surveys, reconnaissance and verification, and other intelligence collection methods.

ROLES OF U.S. AGENCIES

The State Department's Bureau of International Narcotics Matters (INM) is the Federal agency responsible for coordinating the U.S. drug control effort overseas. There are Narcotics

Coordinators in all embassies, and INM has established narcotics assistance units in a number of source and transit countries. INM seeks to enlist foreign government cooperation through:

- Bilateral assistance for crop control and interdiction programs in the form of equipment, training, and technical advice to support local efforts;
- Diplomatic efforts to develop international support for illicit drug control activities;
- Participation in international organizations to increase drug control efforts, especially in those countries where U.S. bilateral influence is less effective;
- Training programs, funded by INM and conducted by DEA, Customs, and the Coast Guard, for foreign personnel to strengthen interdiction and enforcement efforts;
- Guidance, coordination, and support of the work abroad of all U.S. Government agencies involved in illicit drug control; and
- International demand reduction assistance projects, including public awareness projects and prevention programs in key source countries.
- Guidance to U.S. Ambassadors and country teams on drug policy and program issues.

INM produces the annual International Narcotics Control Strategy Report which forms the basis for certifying the adequacy of cooperation by foreign governments, now a critical condition of receiving U.S. economic and military assistance.

The Drug Enforcement Administration (DEA) provides consultation, technical assistance, and training to drug law enforcement officials in foreign countries, participates in the collection and sharing of international drug data, and assists in investigations where authorized. DEA has stationed agents in 42 countries that are considered significant drug source or transit countries. DEA's activities in the international program include:

- Advising ambassadors on drug enforcement matters;
- Cooperating with foreign governments on joint investigations, and providing technical and logistical assistance and formal training in drug enforcement procedures to foreign officials;
- Collecting intelligence on major trafficking organizations and targeting them for prosecution;
- Passing actionable intelligence to U.S. interdiction agencies;
- Working with foreign authorities to identify, locate, apprehend, and extradite fugitives;
- Cooperating with INM and foreign governments on eradication campaigns, including reconnaissance, verification overflights, and related assessments;
- Helping to locate and destroy drug laboratories; and
- Denying traffickers their profits through asset tracing and forfeiture investigations in the United States and abroad.

The Federal Bureau of Investigation (FBI), in coordination with DEA, contributes to the international effort through liaison with foreign counterparts, particularly regarding the involvement of organized crime in drug trafficking and money laundering investigations. This includes the exchange of law enforcement personnel with some governments and the Bureau's Foreign Police Cooperation program, used to locate foreign fugitives. Because the FBI is placing greater significance on Colombian and Mexican drug traffickers in its domestic investigations, as well as continuing its efforts directed at La Cosa Nostra and Sicilian traffickers, its intelligence base regarding international traffickers is expanding and has proven beneficial to those agencies with larger international roles.

In addition to its major role in drug interdiction at U.S. borders, the United States Customs Service (Customs) is involved in many international programs as well. Through its Air Carrier

Initiative Program, Customs works with commercial air carriers to prevent the use of their aircraft for drug smuggling. Customs negotiates Mutual Customs Assistance Agreements, which provide a legal basis for the exchange of information relating to breaches of respective customs laws, often involving drug-related information. Customs also operates the Outbound Currency Program, which attempts to interdict flows of currency to high-risk money laundering countries.

The U.S. Customs Service and the Internal Revenue Service station officers in several countries, including some key drug source countries, and maintain liaison with foreign counterparts. The United States Marshals Service supports the international program by carrying out extraditions. It also works with other governments to locate and remove fugitives wanted by the United States, including a significant number of major drug traffickers.

The United States Coast Guard, with broad authority for maritime drug enforcement and a fleet of long-range ships and aircraft, conducts constant patrols along trafficking routes on the high seas, often in close proximity to foreign countries. The Coast Guard comes into daily contact with the international community as it encounters foreign vessels suspected of drug smuggling or seeks to pursue possible smugglers into foreign waters. Requests to foreign governments for registry checks on vessels, permission to board their vessels on the high seas, and authority to enter their waters are frequent occurrences, and are coordinated through the State Department and embassies. The Coast Guard also participates frequently in joint operations with the law enforcement agencies of foreign countries, conducts special training for foreign agencies, and stations liaison personnel in selected countries.

The Immigration and Naturalization Service (INS) currently maintains 16 offices in 12 countries. In coordination with the INS Central Office, these offices exercise jurisdiction in matters involving the parole of otherwise excludable aliens into the United States to testify as witnesses in drug-related trials.

The Department of Defense (DOD) assists in the international program in various nations by providing technical and material support and training to source country anti-drug forces. DOD also provides assistance to U.S. interdiction agencies. This support includes loans of aircraft, secure communications, and other equipment, as well as surveillance and transportation support with aircraft and ships. DOD is currently reviewing its support to drug law enforcement in accordance with the National Security Decision Directive and the Anti-Drug Abuse Act of 1986.

The Agency for International Development (AID) designs and implements foreign assistance programs, focusing on rural development programs in traditional drug growing regions. AID also works with its fellow agencies in other donor countries to enlist their support of development programs in drug source countries. Since 1985, AID has conducted drug awareness programs in selected countries. This program will be accelerated and expanded as a result of additional funding earmarked for these purposes in the Anti-Drug Abuse Act of 1986. These efforts are designed to inform opinion leaders and the general public of the economic, political, and social threats to their societies from the production, trafficking, and abuse of illicit drugs. The Department of Agriculture participates in crop substitution programs by providing research on agricultural alternatives to drug crops and advising about herbicidal eradication programs.

The United States Information Agency (USIA) conducts programs on drug-related issues aimed at a variety of audiences in drug source and transshipment countries. The programs are

designed to focus international attention on drug issues and to reflect U.S. resolve to fight drug abuse. These programs will also be bolstered as a result of the additional funding provided by the Anti-Drug Abuse Act of 1986. USIA uses its communication resources, including the Voice of America, to carry its messages to foreign audiences. USIA also supports local programs by adapting U.S. materials on drug abuse prevention and control for overseas use, selecting key people in the international drug field for professional exchange programs in the United States, and briefing U.S. specialists for seminars, conferences, and other activities before selected audiences abroad.

The National Institute on Drug Abuse (NIDA) serves as a technical resource to the international program, sharing information on treatment and prevention practices, epidemiological methods, and research findings with foreign health service officials.

Other units within the State, Treasury, and Justice Departments have drug-related missions, including the investigation of off-shore haven banking and illegal cash flows. State and Justice negotiate extradition treaties with source and transit nations, as well as agreements on sharing financial information that can help identify, target, and destroy money laundering operations.

THE STRATEGY

The international strategy involves both diplomatic and programmatic initiatives. These initiatives will be considerably expanded given the additional funding authorized in the Anti-Drug Abuse Act of 1986, particularly the crop control and interdiction projects funded and directed by INM. The Strategy focuses law enforcement efforts as close to the drug production source as possible, with the emphasis on eliminating cultivation of illicit

drug crops. This is supported by enforcement to suppress laboratories and other production processes, and interdiction of drugs in transit. Eradication eliminates supply outright; seizing laboratories or restricting the availability of refining chemicals prevents crops from reaching their final, most marketable form, and stopping drugs at the export/import stage, when drugs are at their purest, halts the distribution process.

In many countries, the Strategy to reduce illicit drug production must include not only a plan for eradicating plants, but also for providing development assistance in the form of economic incentives and alternatives. Such assistance can help promote a government presence in areas that are frequently not well integrated into the country's political, economic, or social mainstream. The plan also may require efforts to assist the host government in overcoming political resistance, often in the form of violent opposition by armed factions, and in reducing the demand for drugs.

Reduction of illicit drug cultivation may also be achieved indirectly by law enforcement actions against other parts of the trafficking network further along the distribution chain. This appears to be one result of Operation BLAST FURNACE conducted in Bolivia during the summer and fall of 1986. Approximately 20 cocaine laboratories were dismantled during BLAST FURNACE. With a lack of processing laboratories, the price of coca leaves dropped dramatically in just a few weeks. With sustained pressure of this type, there would be little economic incentive for farmers to grow coca in the region.

Interdiction and other enforcement must occur at all points along the chain--the cultivation site, the laboratory site, other processing and storage centers, points of departure from source countries, transfer points enroute, and entry points into the United States.

The international drug control program also requires well-executed investigative and prosecutorial activities, such as money laundering investigations, asset seizure and forfeiture, extradition, and other efforts to destabilize trafficking organizations. Not least, an effective control strategy requires close coordination between domestic and international policies and programs. The latter is particularly true with regard to interdiction.

The international drug enforcement effort has benefited significantly in recent years from improved intelligence. There is a continuing need for timely, accurate threat assessments concerning cultivation and production, distribution, host country consumption, and exports. Threat assessments also identify foreign traffickers and describe their organizations, practices, and affiliations, including any subversive or terrorist linkages.

The international strategy incorporates the President's National Security Decision Directive of April 8, 1986. That directive states that the international drug trade is a national security concern because of its ability to destabilize democratic allies--a concern reiterated by Congress in the Anti-Drug Abuse Act of 1986. Drug trafficking is also an important source of financing for some insurgent and terrorist groups. Responding to actions directed by the President, the international strategy calls for full consideration of drug control activities in foreign assistance planning; additional emphasis on drugs as a national security issue in discussions with other nations; and more assistance to other countries in establishing and implementing their own drug abuse education programs.

Diplomatic Strategy

The objective of the U.S. diplomatic strategy is to internationalize the response to the drug problem, thereby encouraging

other governments to engage in unilateral, bilateral, and multi-lateral drug control efforts. America's diplomatic efforts are intended to provide an international climate conducive to the implementation of its programmatic strategy, described later in this chapter. Through diplomacy, the United States seeks to increase the scope and quality of the international community's response to drug trafficking and abuse, upgrade the political priority for drug control as a foreign policy issue, and improve the international environment for operations by U.S. agencies involved in drug control.

A crucial component of the Strategy involves sharing information with the international community about the dangers of drug trafficking and abuse. While many countries are acutely aware of these dangers, the United States will continue to alert leaders and the general population, particularly in drug source and transit countries, of the links between drug abuse, drug trafficking, terrorism, illegal arms smuggling, and increased domestic and international violence.

Through its embassies and other personnel abroad, the United States will continue to convey U.S. policies and attitudes concerning drug trafficking and abuse. These sorts of exchanges will continue to emphasize the importance of enhanced international cooperation against trafficking. In addition, while acknowledging the need to reduce its own demand for drugs, the United States will encourage every country to adopt effective education, prevention, and treatment programs to reduce drug abuse.

As part of this effort, a special two day White House conference on narcotics policy was convened in November 1986. The conference brought together 19 U.S. Ambassadors to major drug source and transshipment countries in order to underline the important role of the narcotics issue in U.S. foreign policy and

to emphasize the importance of diplomatic efforts to actively engage other countries in a global strategy against drugs.

U.S. diplomatic efforts can act as catalysts in the development and continuing viability of regional enforcement efforts and organizations. The United States will continue to support and collaborate with these groups, conduct regional conferences with foreign officials to increase working-level liaison, and seek closer coordination between regional drug activities and anti-terrorism efforts.

Two excellent fora for the discussion of regional drug trafficking and other enforcement issues are the annual International Drug Enforcement Conference (IDEC) and the periodic meetings of Ministers of Justice/Attorneys General. IDEC meetings, first convened in 1983 and now permanently co-chaired by the DEA Administrator, bring together policy-level directors of Inter-American police agencies for candid discussions of a variety of related enforcement issues. The fourth annual IDEC was held recently in Buenos Aires, Argentina. Topics included regional communications and information sharing, regional control of precursor chemicals, and diversion of licit drugs from international commerce. Meetings of the Ministers of Justice/Attorneys General are designed to provide a forum for the constructive, high-level exchange and discussion of information concerning drug law enforcement issues. The last such meeting was held in Mexico in October 1986.

The United States also will continue to provide multilateral economic assistance to control drug abuse and trafficking through the United Nations Fund for Drug Abuse Control and other international organizations. The Strategy further calls for U.S. enforcement agencies and the military to provide training, equipment, and other enforcement assistance for regional eradication and interdiction efforts. The United States will

support establishment of regional secure communications networks for sharing information and expediting requests for action. Such a network is already being established in Latin America with financial support from the Bureau of International Narcotics Matters.

The United States will continue to foster international efforts to combat drug trafficking through various regional and international organizations, including active participation in developing the new international drug convention being coordinated by the United Nations Commission on Narcotic Drugs. This convention is intended to more clearly define the problems, national responsibilities, and effective responses to drug trafficking and abuse, and likely will address forfeiture, extradition, mutual legal assistance treaties, use of commercial carriers for drug trafficking, sentencing, eradication, and enforcement cooperation on the high seas.

The State Department will promote the widest possible participation in the 1987 United Nations Conference on drug abuse. The United States will encourage efforts by the international community to enlist cooperation on drug matters by governments in drug source and transit countries that lie outside the orbit of direct U.S. political influence. As discussed previously, mutual legal assistance and extradition treaties, and agreements concerning U.S. participation in interdiction and other enforcement activities abroad, are vital to the success of international drug control efforts and will be pursued accordingly.

Programmatic Strategy

The primary objectives of the international programmatic strategy are to reduce illicit crop production and to destabilize trafficking operations as close to the source as possible. The

top priorities of the programmatic strategy are to increase the number of countries eradicating drug crops and expand the scope of these operations, to identify and destroy clandestine laboratories in source countries, and to increase the number and success of joint interdiction efforts within source and transit countries and in international waters and air space. Regional approaches will be of particular emphasis in the years to come. Colombia's cross-border initiatives with Peru, Bolivia, and Ecuador demonstrate the viability of this approach, which State will work to sustain. As an example, State is creating a regional air wing for use throughout Latin America, especially in the Andean region.

1. Eradication.

Crop eradication, the first priority of the international drug control program, eliminates drug supplies and increases the cost of drug trafficking. While only two countries exporting drugs to the United States conducted crop eradication campaigns in 1981, fifteen countries participated in these programs during the 1984-1986 crop cycles. As more countries make progress in eradicating drug crops, the pressure on traffickers increases. The Department of State will continue to work with drug source countries to begin or expand eradication efforts.

Crop eradication has had a measurable impact on drug production in many source countries. It is necessarily a long-term strategy because it depends on the political will and ability of source countries to control drug cultivation. In many source countries, however, the government does not have effective control over growing areas, the economy is dependent upon drug production and trafficking, and domestic drug abuse has increased far beyond traditional demand.

Crop eradication is but one of the components of an effective drug control strategy. Progress in eradication can depend to a large degree on effective coordination with development assistance and interdiction programs. Development assistance can improve the economy of growing areas and provide economic alternatives that reduce the financial attraction of drug cultivation. Coordination of eradication efforts and interdiction operations close to the source disrupts the flow of drugs from producing countries.

The international program has several eradication priorities. In Mexico, these include continuing the revitalization of the opium poppy and marijuana eradication campaigns, using aerial surveys and an enhanced verification program to guide deployment of eradication forces, and upgrading the aerial spraying fleet. The initiation of a sustained coca eradication program is the priority in Bolivia. In Peru, the program seeks to expand the coca eradication program to other key sectors of the Upper Huallaga Valley, and to extend the program as needed into southern growing sectors.

The United States will continue to help Colombia complete tests of herbicides that can be effective in eradicating coca and will support the widest possible application of aerial spraying to eliminate major coca cultivation. The United States will continue to support Colombia's increasingly effective marijuana eradication campaign and will press for an expansion of the marijuana eradication programs in Belize, Brazil, Costa Rica, Jamaica, and Panama.

In Southeast Asia, priorities include sustaining the new aerial herbicidal eradication program in Burma to ensure reductions in opium cultivation in that country. The Strategy also calls for U.S. support of the expanded opium poppy eradication program in Thailand. In Southwest Asia, the United States

will continue to work with the Government of Pakistan to extend the ban on opium poppy production into additional areas of the Northwest Frontier Province, while ensuring that poppy cultivation does not resume or increase in the areas where cultivation has declined as a result of both United States and United Nations development initiatives and recent U.S. support of an herbicidal eradication campaign in Pakistan.

2. Development and Economic Assistance.

Eradication efforts are often accompanied by development and economic assistance intended to counter or offset the economic incentives to cultivate drug crops. In providing this assistance, the United States attempts to address the fundamental economic and social factors in source countries contributing to farmers' reliance on drug crops for income. Because of the disparity between profits derived from legitimate crops and drug crops, these economic incentives, particularly agricultural redevelopment programs, have proven to be of limited effectiveness if applied in isolation. However, if eradication and interdiction programs are successful in driving down the market price of drug crops, then development assistance and crop substitution become far more attractive to local farmers. The two programs are complementary.

Development and economic assistance can also be used as an incentive for recipient countries to meet certain drug control objectives and to help prevent the spread of drug cultivation. The United States has linked development assistance to progress on drug control in several countries, including Bolivia, Peru, and Pakistan. The United States will continue to define clearly drug control objectives in its development and economic assistance agreements and will continue to suspend that assistance case by case when drug control objectives are not met. The United States encourages international organizations,

including international financial institutions, to link their assistance to drug control.

3. Interdiction.

By working with foreign governments on interdiction efforts, the United States seeks to reduce substantially the flow of drugs and the proceeds of drug trafficking, and to prevent the diversion of precursor chemicals necessary for the production of illicit drugs. Seizing pure drugs enroute to the United States deals a significant blow to trafficking organizations, which have a considerable investment in these drugs, having paid the farmers, chemists, chemical companies, transporters, and often corrupt officials to reach this stage. Intercepting drug-related money directly reduces drug traffickers' profits. The interdiction of drug traffickers enroute to the United States is discussed in detail in the following chapter.

The Drug Enforcement Administration will expand its program to identify and interdict the chemicals and conversion equipment used to process illicit drugs. Successful interception of precursor chemicals increases their price and forces traffickers to alter their drug production methods. In particular, DEA will monitor the effects of targeting selected precursor chemicals so that enforcement officials can anticipate and respond to shifts in drug processing. For example, worldwide monitoring of ethyl ether, used to process cocaine, caused significant increases in its price in Colombia. As a result, some cocaine processing shifted to other areas, including the United States.

The United States also is working closely with other countries through the United Nations to secure international agreement on model legislation concerning the control of precursor chemicals. Such legislation would form the backdrop for an effective international control regime for precursor

chemicals which the new United Nations Convention on Drug Trafficking (currently being negotiated and drafted) will address. The diversion of chemicals for clandestine drug manufacture is discussed in greater detail in Chapter VIII.

The Drug Enforcement Administration will continue to work with foreign governments to locate and destroy clandestine laboratories and airstrips. Operation Condor, an ongoing international enforcement effort involving Peru and Colombia, targets cocaine laboratories in Peru and is a model for international cooperation on clandestine laboratory destruction. Using DEA expertise and INM funding, the operation has resulted in significant seizures of drugs, equipment, and aircraft, arrests of chemists and others involved in the manufacturing process, laboratory destruction, and a commitment by participating countries to expand the operation.

Because of the effectiveness of coordinating eradication and interdiction efforts, the Strategy gives priority to laboratory destruction in the same areas in which crop eradication programs are in effect. In Latin America these include heroin laboratories in Mexico and cocaine laboratories in Bolivia, Colombia, and Peru. In Southeast Asia, priority will be given to cooperation with the Burmese and Thai governments to suppress heroin refining on their border and to destroy heroin laboratories in both countries. The priority in Southwest Asia is opium poppy eradication and heroin laboratory destruction in Pakistan.

A significant new initiative in mid-1986 was "Operation BLAST FURNACE," an unprecedented operation against cocaine laboratories in Bolivia's Beni region. At the invitation of the Bolivian government, DEA provided agent advisors for the operation and the Department of Defense provided helicopters, other equipment and troops to transport Bolivian police to the

raid sites. Because many coca processing facilities were destroyed or shut down during BLAST FURNACE, prices paid for coca leaf in the region dropped to about one-seventh of their previous market value. INM provided funding support for BLAST FURNACE, and continues to support the successor Bolivian-led operation begun in November 1986.

To increase the effectiveness of international efforts to seize drugs, the United States will seek to execute umbrella bilateral and multilateral agreements that will streamline procedures for granting the Coast Guard the authority to board, search, and seize vessels on the high seas. The current agreement between the United States and Great Britain on this issue will serve as a model. Without such umbrella agreements, the procedures necessary to board, search, and seize vessels on the high seas can be cumbersome and time consuming. In addition, the Customs Service will expand its program of collaborating with foreign and domestic air carriers to prevent drug smuggling to include carriers from many more countries.

The United States will encourage foreign governments to adopt measures similar to U.S. laws and regulations that deny traffickers' access to pilots, pilots' licenses, and aircraft. The United States also will encourage foreign governments to require that their civil aviation authorities review the fitness of any operating carrier that has violated national laws and regulations pertaining to the illegal importation of controlled substances, or failed to adopt available measures to prevent such illegal imports. Customs will promote the training of foreign government personnel in countering cargo conspiracies and fraud so that they can conduct export examinations for illicit drugs.

In response to the problem of drug trafficking in the United States by foreign nationals, the Department of State and U.S. drug law enforcement agencies have developed an information

sharing system in an effort to deny visas to foreign nationals arrested in the United States on drug charges. DEA, FBI, INS, and Customs have established mechanisms to share relevant information with State on a routine basis, so that consular offices throughout the world can be alerted to applications for visas by known traffickers. The Department of State and drug law enforcement agencies will continue to improve the information sharing system so that timely information about drug traffickers can be transmitted to U.S. embassies and consulates.

The United States will continue to mount special interdiction operations in cooperation with foreign governments. Operations Hat Trick, Blue Lightning, and Bahamas and Turks and Caicos (BAT) are examples of successful joint interdiction operations. These efforts improve international cooperation on drug control and serve to "dissolve" borders, placing traffickers at increased risk.

The United States has been working closely with the Bahamian government to improve the interdiction of drugs smuggled through that key transit country. The Anti-Drug Abuse Act of 1986 establishes a U.S.-Bahamian Drug Interdiction Task Force which includes provisions for joint operation of additional interdiction pursuit helicopters, improved communications capabilities, and construction of a marine repair and maintenance base in the Bahamas.

Customs will expand its outbound and inbound currency interdiction program to further disrupt the international flow of drug-related cash. The program will include better intelligence and increased financial analysis to develop profiles of currency smugglers, and more agents and inspection personnel for the program. The United States will pursue closer cooperation with foreign customs authorities to expand the exchange of information

concerning international transfers of currency and monetary instruments.

4. Investigation and Prosecution.

In order to improve the exchange of information in criminal cases, particularly drug-related money laundering cases, the United States has negotiated mutual legal assistance treaties (MLATs) with Italy, the Netherlands, Switzerland, Turkey, and others. The United States currently is negotiating with several other countries to obtain these agreements and will continue to focus on banking centers in the Caribbean, Europe, and source countries.

Drug traffickers often rely on the bank secrecy laws of Caribbean countries to shield their money laundering activities. MLATs with these countries have contributed significantly to law enforcement success against money laundering. For example, as a result of requests under an agreement with the Cayman Islands, the Justice Department received information that contributed to more than 60 indictments and convictions, and more than \$12 million in seized and forfeited assets.

The United States will seek international convention clauses that address both commercial carrier programs and asset identification and tracing, and will work with host governments to increase asset forfeiture investigations. The United States will encourage foreign governments to adopt asset forfeiture laws based on the U.S. model. In addition, the United States will seek agreements for bilateral forfeiture.

There are two basic approaches to bilateral forfeiture cooperation. One approach is through treaties that would require one government to take a certain forfeiture action as a result of a request from another government based on its own laws. The

property, once forfeited, then could be transferred to the requesting country. More easily implemented is a second approach in which each government agrees to forfeit drug proceeds located within its borders when notified of their existence by the other government, provided that forfeiture is permitted under its own laws, and each government agrees to provide evidence for the other's forfeiture proceedings. Both approaches have been embodied in recent mutual legal assistance treaties. The latter approach requires statutory authority to seize and forfeit drug proceeds regardless of where the violation occurs. Statutory authority for this type of international forfeiture action is contained in the Anti-Drug Abuse Act of 1986. This legislation should foster the exchange of evidence between countries, help pierce bank secrecy laws, and provide monetary awards to countries expeditiously and without having to engage in forfeiture proceedings.

The United States will encourage its European allies, particularly Great Britain, to enter into additional MLATs. The U.S. MLAT with Switzerland has helped Swiss authorities to seize drug-related assets. Treaties with source countries also are important to assist in major drug prosecutions. The United States will continue to negotiate mutual customs assistance agreements, which provide a legal basis for exchanges of information. Such agreements currently exist with Austria, Canada, France, Italy, Mexico, and West Germany. Priority will be given to Brazil, Colombia, Denmark, Israel, Korea, Spain, Sweden, and the United Kingdom.

The United States has entered into extradition treaties with 103 countries, including many drug source and transshipment countries. Despite this large number of treaties, the United States lacks extradition treaties with some key countries, such as the Bahamas. Other treaties are outdated; many of them do not include conspiracy, racketeering, operating a continuing criminal

enterprise, or failing to report currency transfers as extraditable offenses. Many countries do not allow the extradition of their own nationals. The United States will seek a number of new or enhanced extradition treaties, with priority given to Mexico, Australia, the Bahamas, Bolivia, India, Israel, Malaysia, Nigeria, Pakistan, and Venezuela.

The activity of U.S. officers abroad has been limited by the Mansfield Amendment to the Foreign Assistance Act of 1961. Until amended by the Anti-Drug Abuse Act of 1986, Mansfield prohibited U.S. officers from participating in foreign police arrest actions with respect to narcotics matters. The 1986 amendment provides relief from this restriction when the Attorney General and Secretary of State determine that it would be in the national interest to do so. When it is so determined, U.S. officials may assist foreign officers who are effecting an arrest, but may not directly effect the arrest themselves. Furthermore, the 1986 amendment allows U.S. officials to take direct action to protect the life or safety of U.S. employees, foreign government employees, and members of the public in exigent circumstances. Finally, with the agreement of the country concerned, Mansfield restrictions will not apply in the territorial waters of that country. This provision will be of considerable help to the Coast Guard in taking action against smugglers who flee into territorial waters, and in responding to host nation requests for on-the-job training and joint operations in their territorial waters. Previously, the Coast Guard has had to decline such invitations because of the potential of becoming involved in an arrest action.

Finally, to assist in international law enforcement efforts, Congress has authorized the Department of State to offer rewards of up to \$500,000 for information leading to the arrest and prosecution of major narcotics traffickers.

FBI NATIONAL DRUG STRATEGY (NDS) DRUG AND NARCOTICS MATTERS¹

The Federal Bureau of Investigation (FBI) has a significant role in meeting the problem of drug trafficking in the United States and is striving to enhance its investigative efforts directed against this difficult problem. In the four years since the Bureau was given concurrent jurisdiction with the Drug Enforcement Administration (DEA) to investigate drug offenses, it has evolved into a capable, effective and respected participant in the battle against drug trafficking. By concentrating limited resources on organized crime and drugs, public corruption and drugs, and financial crimes and drugs the Bureau has achieved noteworthy results.

For the past several months, the FBI has conducted extensive research in order to develop a strategic plan and to clearly define the FBI's role in drug investigations for the next three to five years. This analysis has included input from all FBI offices, independent studies, and a comprehensive assessment of the drug problem facing the United States. The entire scope of the drug trafficking problem was analyzed.

Drug trafficking continues as the most critical crime problem in the United States. It is sophisticated and complex. A wide variety of drugs are involved, most with several international sources. The traffic in illicit drugs not only violates drug laws but also involves numerous other criminal activities, including racketeering, conspiracy, bribery and corruption of public officials, tax evasion, banking law violations, illegal money transfers, import/export violations, crimes involving firearms, and violence.

Despite the Bureau's accomplishments, and those of DEA and other law enforcement agencies, drug trafficking in this country at the national level continues to be a significant problem. For example, cocaine use remains widespread from high-income users to users in lower socioeconomic levels. Cocaine is readily available in all regions of the United States, with increasing purity levels and decreasing prices. Currently a kilo of cocaine sells for \$28,000. Four years ago a kilo cost \$60,000. Similarly, Mexican brown heroin is also more readily available in the Southwest and upper Midwest with purity levels reaching heretofore unseen highs of over 90 percent.

It is recognized that the drug trafficking problem is of such a magnitude that it will not be solved by investigative agencies alone. However, in order to effectuate a measurable impact, investigative resources need to be redirected against those groups which control large segments of the illegal drug market.

¹ Source: U.S. Department of Justice, *Federal Bureau of Investigation, National Drug Strategy*, 1986.

SCOPE OF DRUG TRAFFICKING IN THE UNITED STATES

TRAFFICKING ORGANIZATIONS

Most of the income from drug sales is earned by distributors in major markets with significantly less accruing to those involved in production and transport. The millionaires of the international drug industry control not only the acquisition of raw materials in drug producing countries, but also the wholesale distribution of drugs in the United States. Profits from these operations are enormous. For example, it is estimated that gross receipts of Colombian trafficking organizations from U.S. sales in 1983 were in excess of \$6 billion.

In terms of influence, the Colombians' closest competitors are the Mexican trafficking organizations and the Sicilian Mafia. These organizations control major segments of the U.S. market. The infrastructure of such large networks rival many legitimate businesses and even some national governments in the amount of property, sophistication of equipment, and network of financial, political, and commercial contacts.

In addition to large sophisticated enterprises that resemble multinational companies in their size, scope and manner of operations, drug trafficking organizations can also be small specialized operations active in one aspect of the production, smuggling, or distribution of a specific drug.

COCAINE

Cocaine trafficking and consumption has clearly been identified as the most significant widespread drug problem in the United States. Drug abuse experts estimate that over 25 million Americans have tried cocaine, that is, one in ten. Six million are estimated to use cocaine at least once a month. Two to three million Americans are thought to be seriously dependent on cocaine. The number of new users increases at an estimated rate of over 5,000 per day.

As the following chart shows, its consumption in the United States has been increasing since 1981.

COCAINE HYDROCHLORIDE CONSUMPTION IN THE UNITED STATES 1981-1984 (METRIC TONS)

1981	1982 (%change)	1983 (%change)	1984 (%change)
30-60	45-62(+15)	50-68(+10)	55-76(+11)

The majority of Bureau field offices are investigating cocaine-related cases. Of the 59 field offices, 58 have identified cocaine as a drug problem, with 46 field offices naming cocaine trafficking as the major drug problem in their area of responsibility.

Colombian organizations operating in the Southeastern United States (predominantly south Florida) continue to control the majority of the cocaine importation and distribution networks which radiate into all areas of the United States. In 1984, Florida was the principal point of entry and the location of 94 percent of the cocaine seizures from all conveyances. Also in 1984, 18 of the 22 cocaine processing laboratories seized nationwide were located in the Miami, south Florida area.

In addition, Colombian traffickers have expanded their area of operation and have converted Atlanta, Boston, Houston, Los Angeles, New York, San Diego and San Francisco FBI Field Office territories into international cocaine trafficking centers.

The Miami Division, through an intensive drug intelligence collection effort over the past year, has identified in excess of 100 separate organized Colombian groups involved in some aspect of cocaine trafficking into and throughout the United States.

HEROIN

Heroin trafficking and consumption is considered by the FBI as the second most significant problem in the United States. Recent studies show that heroin abusers, especially daily users, commit an extraordinary amount of crime. Needless to say, the economic consequences that heroin users impose upon other persons and upon society are great. In addition, heroin distribution is a major source of income for the LCN/Sicilian Mafia.

As the following chart shows, heroin consumption increased between 1981 and 1983 and decreased slightly in 1984. Statistical data for 1985 is unavailable but a significant change in consumption is not anticipated.

HEROIN CONSUMPTION IN THE UNITED STATES 1981 - 1984 (METRIC TONS)

1981	1982 (%change)	1983 (%change)	1984 (%change)
3.85	5.7 (**)	6.04 (+10)	5.97 (-1)

(**Different data bases used in computing 81 and 82 heroin estimates, therefore estimates are not comparable.)

Two types of heroin and heroin-related trafficking patterns exist: white heroin from Southeast or Southwest Asia and Mexican brown heroin from Mexico.

According to the DEA Heroin Signature Program, in 1984 Southwest Asia heroin, primarily heroin refined along the Afghanistan/Pakistan border, accounted for 51 percent of the U.S. supply. Seventeen percent of the U.S. heroin supply came from Southeast Asia and 32 percent came from Mexico.

SOUTHWEST ASIAN HEROIN

New York City is the major distribution point for white heroin. From there it is distributed to other areas in the Northeast Quadrant. (The Northeast Quadrant as used here encompasses, but is not limited to, those FBI field office territories as far north as Boston, as far south as Washington, D.C., and as far west as Detroit.)

Although heroin traffickers are numerous throughout the Northeast Quadrant, the LCN/Sicilian Mafia is still considered the most accomplished of all the traffickers. They control not only the importation but also the distribution networks for heroin. Recently concluded investigations have clearly revealed the extent of LCN/Sicilian Mafia control. From March 1983 to April 1984, one investigation disclosed a Sicilian Mafia network operational in the states of Florida, Illinois, Michigan, New Jersey, New York, Pennsylvania, and Wisconsin.

MEXICAN HEROIN

Mexican brown heroin is the primary heroin problem in the Southwest, the West Coast and some parts of the Midwest, most notably Chicago. The production, importation, and distribution of this heroin is controlled by Mexican organizations.

Several indicators point to a greater influx of Mexican heroin into the U.S. market in recent years. Wholesale (kilogram level) purities in the United States have steadily increased from 8 percent in 1981 to 21 percent in 1982, 22 percent in 1983, and 44 percent in 1984. Recent intelligence reports from the DEA Dallas and San Diego Field Offices indicate the availability of heroin increased during 1985, and purities as high as 90 percent have been encountered. Similarly, "street-level" heroin purities in Southwestern U.S. cities, where Mexican heroin dominates the market, tend to be higher than the national average. Additionally, the declining Mexican economy, with steady erosion of the peso, has led to greater involvement by Mexican nationals in the production and trafficking of heroin.

FBI DRUG PROGRAMRESOURCES

The availability and utilization of investigative resources in drug matters are particularly critical elements given that drug investigations are labor intensive. Quality drug investigations which target the highest levels of trafficking require extensive use of undercover operations, consensual monitorings, court-authorized wire intercepts, quality informants, qualified linguists (predominantly Spanish and Sicilian speakers), as well as other specialized techniques.

When the Bureau was given Title 21 jurisdiction in 1982, it was not allocated any additional investigative resources. Consequently, in order to meet this new investigative responsibility, the FBI had to divert resources from the traditional Organized Crime Program and other investigative programs such as White Collar Crime and General Crimes. The FBI presently has been authorized 43 Agent Work Years budgeted for drug matters within the Organized Crime Program and does not anticipate an additional allocation of resources in Fiscal Years (FYs) 1986 and 1987. It was only in late 1982 when the Organized Crime Drug Enforcement Task Forces (OCDETF) were created that the FBI was allocated additional investigative resources; however, these resources were earmarked specifically for Task Force matters.

At the present time, the FBI has been allocated 349 Agent Work Years to expend on OCDETF cases. Due to the manpower intensity of narcotics investigations, the FBI is utilizing well over 1,000 Agent Work Years to work OCDETF cases and narcotics cases within the Organized Crime Program, despite being funded for less than 50 percent of that figure. As previously mentioned, the unfunded Agent Work Years are being diverted from other priority investigative programs.

Bureau investigative "Specials" which require Agent support from other divisions are a good example of how drug investigations tax resources. In FY 1984, there were approximately 42 drug-related "Specials" which required 242 Agents to be detailed on temporary duty. In 1985, there were approximately 68 drug-related "Specials" and 407 Agents on temporary duty to other divisions. In FY 1986, as of 1/22/86, there have been 30 drug-related "Specials" which have required 123 Agents to be on temporary duty.

While many of the "Specials" have been addressing significant drug-trafficking organizations, a number of the "Specials" were directed against targets that had a local impact but little national significance. It is anticipated that with a clearer articulation of the FBI's NDS, the number of "Specials" can be reduced and/or consistently directed against targets of national significance.

FIELD OFFICE INVESTIGATIONS

When the FBI was given Title 21 jurisdiction, it focused its resources on drug investigations involving traditional organized crime families, nontraditional organized crime groups with violent propensities, ethnic organized crime groups having significant impact in an area of the country, financiers, and corrupt public officials. Pursuant to the establishment of these investigative priorities by FBI Headquarters, field offices were mandated to identify and investigate their most significant drug problem.

The response by the field to the newly acquired Title 21 jurisdiction was overwhelming. Smaller field divisions that heretofore had little opportunity to employ special investigative techniques, such as court-authorized wire communications intercepts or undercover operations, were doing so.

During this evolutionary period, the FBI applied a strong centralized management approach to drug investigations to ensure a system of quality control and to closely monitor resource commitments.

Based on the experience that the FBI has gained in drug investigations over the past four years, it is now in a position to enumerate a more definitive drug strategy which will direct the investigative efforts of the FBI toward a national objective.

FBI-DEA RELATIONSHIP

Over the past four years, the FBI and DEA have developed a close working relationship. In addition to the OCDETF cases, the FBI has over 300 joint drug investigations with DEA. The FBI-DEA relationship is based on the Implementation Directive of March 12, 1982, which defines specific roles for each agency. The recommended modifications to the FBI NDS do not alter these existing roles.

To further enhance FBI-DEA cooperation and integration, several initiatives have been taken to remove agency-to-agency differences. Common guidelines on informants, undercover activities, and investigations are being developed. This direction will continue with further integration stemming from common national strategies. Common strategies will enable investigators from each agency to work together to dismantle major drug trafficking organizations.

The modification to the FBI NDS reinforced the integration of common strategies for the FBI and DEA. For example, DEA's FY 1988 Strategic Plan dated September 9, 1985, disclosed that three out of six operations in their planned strategy are directed against Colombian/South American trafficking organizations. The Plan also identifies Mexican drug trafficking organizations as an investigative priority. These priorities are consistent with those of the FBI NDS. Thus, DEA/FBI investigations can jointly work toward the same objectives.

FBI NATIONAL DRUG STRATEGY

The following information sets forth a refinement of the current FBI NDS. As the first step in modifying operating plans, this refinement is intended to more clearly focus investigative efforts and resources on those groups controlling significant segments of the illegal drug and narcotics markets.

The FBI will adopt the following as its long-term mission in drug and narcotics law enforcement.

The FBI will endeavor to reduce the incidence of illegal drug trafficking, and other criminal activity which drug trafficking generates in American society, through investigations conducted on a systematic, coordinated, and sustained basis.

This mission will be implemented through a series of major objectives which specifically delineate the FBI's role in drug investigations. The major objectives of the NDS will include:

1. CONDUCTING EFFECTIVE, COORDINATED INVESTIGATIONS AGAINST MAJOR DRUG TRAFFICKING ORGANIZATIONS ON A NATIONWIDE BASIS WITH THE ULTIMATE OBJECTIVES OF NEUTRALIZING NETWORKS INVOLVED IN DISTRIBUTION OF COCAINE AND HEROIN, AND SEIZING THEIR ILLEGAL PROFITS THROUGH FORFEITURE PROCEEDINGS.

(a) Cocaine and heroin importation and distribution have been identified as the major drug problems in the United States. Groups largely responsible for this problem are the Colombian/South American traffickers, the LCN/Sicilian Mafia, and Mexican networks.

(b) The majority of the FBI's resources over the next three to five years allocated to the drug program will be devoted to addressing these specific problems.

(c) All FBI offices will be required to take full advantage of the existing forfeiture provisions of various Federal statutes that directly relate to drug enforcement. The identification of drug traffickers' assets, and thereafter effective investigations to allow forfeiture, will be an integral aspect of all drug investigations.

(d) Conspiracy network investigations will be conducted on a sustained basis. In those areas where the trafficking networks are concentrated, extensive utilization of electronic surveillance and covert investigative techniques will be employed. In addition, the "buy-bust/show-bust" technique will be selectively employed in addressing the above priorities. For example, it can be used to gather probable cause for electronic surveillance, or to protect the identity of highly placed informants.

(e) A corps of language specialists/contract employees will be developed to support extensive electronic surveillance coverage of the above groups.

(f) FBI field offices most directly affected by these organizations will be required to develop operational plans with DEA to address the problem jointly.

(g) Investigations of these groups will be multijurisdictional and require close coordination by FBI Headquarters.

(h) The potential corruption and money-laundering aspects of every significant investigation must be fully explored.

(i) Statistical accomplishments alone will not be used to measure success. Quality of accomplishments will be measured in terms of investigative impact on major drug trafficking organizations.

2. IN ORDER TO ACHIEVE A SIGNIFICANT IMPACT IN THE PRIORITIES ESTABLISHED, IT IS ESSENTIAL THAT THE EXISTING DRUG INTELLIGENCE BASE BE EXPANDED AND ENHANCED. THIS EFFORT SHOULD NOT BE LIMITED TO THE DEVELOPMENT OF TRADITIONAL INFORMANTS. ALL SOURCES OF INFORMATION SHOULD BE UTILIZED.

(a) A corps of high-quality informants must be maintained and the development of additional informants is essential in order to penetrate the leadership, structure, operations, associations, and financial aspects of the major drug trafficking organizations operating in this country.

(b) In the new priority areas, informant coverage needs to be greatly enhanced. Informants should be directed to seek information concerning key, high-level figures in major organizations focusing on information to support eventual conspiracy, Continuing Criminal Enterprise (CCE), and Racketeer Influenced Corrupt Organization (RICO) prosecutions.

(c) Increased emphasis will be placed on analysis and planning relative to the major drug problems identified. Intelligence Research Specialists and Organized Crime Information System (OCIS) analysts will be tasked to develop the analytical support necessary to address the drug problem. Individual FBI field offices that will play a major role in implementing this strategy will be required to assign OCIS analysts on a full-time basis to this project who will work with the analysts stationed at Headquarters in developing a usable and effective analytical product.

(d) The drug intelligence base includes a number of automated systems, including OCIS, Narcotics and Dangerous Drugs Intelligence System (NADDIS), and Pathfinder. These systems have their own unique capabilities. They should be fully utilized to support major investigations.

(e) Selective use of racketeering enterprise investigations (REIs) is encouraged in order to establish the composition, structure, and activities of major drug groups. The finances, geographical dimensions, as well as past and future activities of these enterprises should be developed.

3. IN COORDINATION WITH DEA, ASSIST IN IDENTIFYING TRENDS AND MAKING PROJECTIONS OF ORGANIZED DRUG TRAFFICKING ACTIVITIES ON A NATIONAL BASIS.

The FBI and DEA have expanded the exchange of supervisory personnel at the Headquarters level to address, on a coordinated basis, information relating to national trends and projections concerning the above priorities. This exchange of information and perspective should be encouraged throughout the field. Every available resource should be tapped in order to continue enhancing our understanding of drug trafficking organizations.

4. INVESTIGATIVE RESOURCES DEDICATED TO DRUG MATTERS SHOULD BE CONCENTRATED IN THOSE AREAS OF THE COUNTRY IDENTIFIED AS MAJOR CENTERS FOR ORGANIZATIONS INVOLVED IN THE IMPORTATION AND DISTRIBUTION OF COCAINE AND HEROIN.

(a) As a result of field office surveys and a detailed analysis of the scope of the drug problem, it has been determined that major first-level cocaine distribution networks operate principally in three U.S. cities: Miami, Los Angeles, and New York.

(b) In a similar fashion, second-level cocaine distribution networks operate in six U.S. cities: Atlanta, Boston, Chicago, Houston, San Diego, and San Francisco.

(c) In the absence of any additional investigative resources which would enable the FBI to address a wider range of drug cases, a concentration of resources in those areas of the country identified as major drug importation and distribution centers is essential.

5. PROVIDING ASSISTANCE TO OTHER FEDERAL, STATE, AND LOCAL LAW ENFORCEMENT AGENCIES RELATIVE TO INVESTIGATIONS OF MAJOR DRUG TRAFFICKING ORGANIZATIONS OPERATING IN A LOCAL OR REGIONAL AREA OF THE COUNTRY.

(a) It is recognized that the FBI has a responsibility to respond to drug problems that are unique to a local area or region and that do not necessarily relate to a national problem. It should further be recognized, however, that the FBI's role in drug enforcement is a segregated one.

(b) If the FBI and DEA are to make a more significant impact in addressing the major national drug problems that affect all citizens throughout the country, then the utilization of available resources for this program must be prioritized. Efforts should be directed against the Colombian/South American trafficking organizations, the LCN/Sicilian Mafia, Mexican networks, and on a selective basis, national outlaw motorcycle gangs, and major Oriental organized crime groups.

(c) It will be the responsibility of each FBI field office to develop alternative methods in addressing local drug problems on a case-by-case basis. A limited assignment of Agent personnel to a working group comprised of local and state police is one option. Providing legal and technical support is another. Disseminating lead information to appropriate authorities is a third option.

(d) The sharing of forfeited property provisions of the Comprehensive Crime Control Act of 1984 is a strong incentive for state and local participation in working groups. State and local authorities should be advised of these provisions.

The FBI NDS will be implemented through shorter term operating plans. These operating plans will prioritize investigations directed against specific drug trafficking organizations. To accomplish this step, investigations will be initiated under the following categories:

LCN/Sicilian Mafia

Cases directed against LCN/Sicilian Mafia involvement in drug trafficking with emphasis on trafficking of heroin;

Colombian/South American
Drug Trafficking Organizations

Cases directed against Colombian/South American organizations involved in drug trafficking with emphasis on trafficking of cocaine;

Mexican Drug Trafficking Organizations

Cases directed against Mexican groups involved in drug trafficking on a national level;

Major National Outlaw Motorcycle Gangs

Cases directed against major national outlaw motorcycle gangs involved in drug trafficking on a national level;

Major Oriental Organized Crime Groups

Cases directed against major Oriental organized crime groups involved in drug trafficking on a national level with emphasis on trafficking of heroin;

Other Major Drug Trafficking Organizations

Cases directed against other major drug trafficking organizations. These organizations must be well organized, multijurisdictional in operational scope, and of national significance and influence. The characterization of these organizations must be fully documented and corroborated.

Although no longer distinct classifications, drug financial flow investigations and allegations of official or police corruption will continue to be thoroughly pursued in relation to the particular drug trafficking organization under investigation. The development of the drug financial flow aspect and the identification of political or police corruption, which is directly facilitating drug trafficking activity, will become an integral part of all drug investigations.

When allegations of official or police corruption arise in relation to minor drug trafficking activity not within the FBI's drug priorities, such cases should be pursued under the corruption subprogram within the Organized Crime Program or, when applicable, under the White Collar Crime Program.

DRUG AWARENESS PROGRAM

The FBI recognizes that law enforcement participation is essential in reducing the demand for controlled substances. Education and drug awareness represent potential long-term solutions to drug abuse in the United States. An element of the FBI's National Drug Strategy will include FBI participation in the National Drug Awareness Program, taking every opportunity in public appearances and forums to educate American citizens to the dangers of drug abuse. The FBI/DEA Sports Drug Awareness Program is but one example of our efforts. FBI and DEA representatives have conducted narcotics awareness seminars before professional and collegiate athletic teams in an effort to make them aware of the dangers inherent in drug usage.

The FBI has played a significant role in meeting the problem of drug trafficking in the United States. The FBI recognizes the enormous challenge posed by these major drug trafficking organizations and the noteworthy accomplishments already obtained. However, only through investigations directed at the highest level of these organizations can the FBI achieve a greater impact on this problem.

Eternal hope: America's quest for narcotics control

PETER REUTER

THROUGHOUT THE TWENTIETH century, the government of the United States has maintained that the solution to the American drug abuse problem lies with the foreign nations that produce the most important illicit drugs. This has been the view of administrations as different as John Kennedy's and Ronald Reagan's and it has been held about drugs as different as heroin and marijuana. The tone of the official statements on this matter has become somewhat less accusatory over the years—the government no longer suspects Communist governments of attempting to corrupt American moral fiber and fighting power through drug exports, though the Bulgarians, North Koreans, and Cubans have in fact been caught in minor facilitating roles from time to time. But there has been no change in the view that cutting exports from countries such as Burma, Colombia, and Pakistan is the best method for reducing U.S. consumption of heroin, cocaine, and marijuana. As the White House stated in 1982, "elimination of illegal drugs at or near their foreign source is the most effective means to reduce the domestic supply of these substances."

This notion became a genuine part of American foreign policy when President Nixon, under heavy congressional pressure, initiated a series of bilateral agreements with source countries to assist

them in reducing their exports. These agreements have become a standard component of battles between the State Department and Congress, Congress generally charging that the Department gives too little high-level attention to the drug problem. But there is no political dispute about the centrality of these international programs to American drug policy. The only dispute concerns the appropriate levels of expenditure and the intensity of pressure to be exerted on other nations.

The notion of production control, as it is usually called, is indeed an appealing one: Enough of the band-aids of interdiction and domestic law enforcement; we shall strike at the *fundamentals*, namely drug production itself. I think it fair to say that the appeal is peculiarly strong for Americans. The rest of the world is much more resigned to band-aids, if not to the ailment itself.

Unfortunately, there is plenty of evidence that U.S. foreign drug control efforts have been unsuccessful. In recent years, U.S. consumption and world production appear to have increased somewhat for heroin, and greatly for the other two drugs; prices have been declining in the United States.

The failures of U.S. international programs are not the result of incompetence or inadequate resources; they are inherent in the structure of the problem. The producer countries jointly lack either the motivation or the means to reduce total production. Even if such reduction were possible, it is unlikely that U.S. imports from each of these countries, apart from Mexico and Turkey, would be affected. Just as important, the set of source countries is readily expandable. The international programs serve a useful function in curbing illicit drug use in some major source countries. But they will do little to reduce drug abuse in the United States.

Dubious data

Numbers play a critical role in discussions about drug policy, both domestically and internationally. The numbers usually cited are impressively large. A recent *New York Times Magazine* article by Mathea Falco, the first Assistant Secretary of State for International Narcotics Matters (during the Carter Administration), provides most of the standard ones. "In the United States, Exxon is the sole corporation with annual revenues in excess of the \$79 billion that, according to the Drug Enforcement Administration's last estimates, is generated every year by the sale of illicit drugs." "In many less developed countries of the third world, drug trafficking . . . is

transforming whole economies. In Colombia . . . marijuana and cocaine, together, produce more foreign exchange than coffee and cut flowers, that nation's chief lawful exports." "Bolivia's lawful foreign-exchange earnings . . . account for \$800 million; cocaine is estimated to generate as much as ten times that."

None of these figures is well-founded or plausible. The best study of the total expenditures on illicit drugs in this country, by Ken Carlson and his associates, points to a total of less than \$27 billion (for marijuana, heroin, and cocaine).¹ Even that may be too high, since it includes a very dubious estimate of the total number of heroin addicts.² The official estimate of \$79 billion that Falco referred to was based on extremely questionable estimating procedures and has been, as of 1983, effectively disavowed by the Drug Enforcement Administration. Unfortunately, high-level political rhetoric clings to the old, inflated figures. The visible lobbies in this area (law enforcement, treatment providers, citizen anti-drug groups, etc.) demand high, rather than accurate, estimates.

That estimate is critical to the second set of numbers, namely the foreign exchange earnings of the producer countries. If total marijuana expenditure is \$7 billion (Carlson's estimate) rather than \$22 billion (the official estimate), and we take account of the fact that the exporter receives barely 8 percent of the retail price (see table), then we start to see much less frightening figures for producer country earnings. Total producer country earnings are probably about \$500 million for marijuana; for cocaine the comparable figure is probably \$300 million. Colombia's coffee exports in 1980 earned \$2.4 billion, and since there is a fair amount of smuggling of coffee, this figure is an underestimate. While earnings from drugs are large, they simply do not overwhelm producer economies.

Export and Retail Prices of Drugs, 1980^a

	Export Price ^b (Per pure kilogram)	Retail Price (Per pure kilogram)
Heroin	\$70,000	\$1,900,000
Cocaine	20,000	650,000
Marijuana	135	1,700

^a Source: Adapted from Narcotics Intelligence Consumers Committee, *Narcotics Intelligence Estimate* (Washington, D.C.: Drug Enforcement Administration, 1982).

^b As it leaves the source or final transshipment country.

¹ Ken Carlson et al., "Unreported Taxable Income from Selected Illegal Activities," Cambridge MA: Abt Associates, 1983.

² See "The (Continuing) Vitality of Mythical Numbers," Peter Reuter's article in *The Public Interest* No. 75 (Spring 1984), pp. 135-147.

Of products and producers

While all three drugs are derived from foreign plant sources, each presents a distinctive problem which can best be understood after a brief description of the sources and circumstances of production.

Heroin is derived from opium, itself a simple product of the poppy plant (*papaver somniferum*), grown for centuries throughout Asia and the Middle East. Opium has many legitimate uses, both for the farmer (cooking oil, cattle feed, and fuel) and for pharmaceutical companies (pain killers). There is a large, and apparently effectively controlled, legal production of opium in a number of countries (India, Turkey, Australia, and France are the most prominent). For illicit consumption, either of opium or the more refined heroin, the major producers are peasant farmers in Afghanistan, Burma, Iran, Mexico, Pakistan, and Thailand. The U.S. heroin market receives supplies from all of them.

Cocaine is produced from coca leaves that are grown in only four countries: Peru, Bolivia, Colombia, and Brazil. Peruvian and Bolivian coca growing is long established, and a significant share of the leaves is consumed domestically as a mild stimulant. Peruvian leaves are also refined, legally, for pharmaceutical and flavoring purposes. Colombian and Brazilian production, which has developed only in the last few years, is solely for illicit refining into coca base and, eventually, cocaine hydrochloride, for foreign (predominantly U.S.) consumption. A significant fraction of Peruvian and Bolivian production is also destined for illegal markets. Again, the producers are peasant farmers.

Marijuana grows throughout the world, under a wide variety of horticultural and climatic conditions. Currently, the major producers are Colombia, Jamaica, Mexico, Morocco, and the United States. The American market is supplied predominantly by Colombia and Jamaica; it is possible that Colombian production is more organized, by entrepreneurs who finance farmers and have developed better strains of the crop.

Each drug is associated with significant corruption in most of the producer countries. The U.S. government has obtained indictments, though not extradition, against senior cabinet ministers in the former Bolivian regime of General Garcia Meza. The marijuana export trade in Colombia may at times have been run by military officials, and the Thai government has admitted widespread corruption in its narcotics control efforts.

Two other preliminaries are necessary before we consider the efficacy of U.S. programs. First, the price of the illegal drug at the point of export to the United States is a very small percentage of the final price paid by the U.S. consumer. The table presents figures on the export and final prices for all three drugs in 1980. The export price is less than 10 percent of final price in each case. Most of the final price is compensation to dealers for legal risks incurred in domestic distribution. Even very large increases in the producer country prices will have but a negligible impact on the U.S. price and hence consumption. The international programs can work only by creating an *absolute* scarcity of the drugs for U.S. consumption.

Second, the U.S. probably consumes only a small share of the total world production of opium, which is estimated at between 1,000 and 2,000 tons annually. (U.S. heroin consumption accounts for only about 40 to 50 tons.) Given that even poor U.S. heroin addicts are more affluent than other user populations, it is likely that they should be regarded not as the marginal but the first consumers.³ Even quite a large reduction in the total world production of opium might not make it difficult for U.S. heroin addicts to acquire heroin. While estimates of world marijuana and coca leaf production are far more uncertain than for opium, it appears that U.S. consumption accounts for less than half of the total.

U.S. control efforts

U.S. efforts to suppress foreign production of illicit drugs go back at least to the Shanghai Treaty of 1909. Believing that the instability of China was very much bound up with the widespread use of opium, supplied through much of the 19th century from India by British merchants, the United States sought a treaty system that would require all nations to control the production of opium and its derivatives. Other nations were a great deal less enthusiastic, but, in 1913, 34 nations signed a fairly comprehensive agreement. In that more innocent era, there was enough faith in treaties per se (later extended, again at the urging of the U.S., to cocaine and marijuana) that no program of assistance for enforcement was established. The Drug Enforcement Administration's predecessor, the Federal Bureau of Narcotics—despite the notorious political aggres-

³ Alternatively, one might note that the source country price is a small share of total price for American heroin users and a large portion of the total price for source country users of either opium or heroin. Thus, it is plausible that the elasticity of U.S. heroin demand, with respect to source country opium price, is lower than that of source country users.

siveness of its long-time head Harry Anslinger—remained a small agency. It had less than 450 employees in the early 1960s and only five agents posted in Europe, which was even then the site of most heroin refining for the U.S. market. Little attention was given to drugs other than heroin.

The growth of heroin use in the late 1960s changed U.S. policy markedly. No longer content to work through the international treaty system, the United States for the first time began to seek bilateral agreements, involving the use of U.S. resources and personnel, to strike at production in nations deemed particularly important to the American heroin problem. These efforts have been expanded since 1979 to include cocaine and marijuana.

The U.S. has tried a number of approaches. Some efforts focus on production itself. Resources are provided to aid local law enforcement agencies to eradicate crops, either through the spraying of a herbicide (as was done in Mexico for opium poppies) or by manually uprooting plants (as is occasionally done with coca plants in Peru). A number of projects have been funded, either by the United States directly or through multilateral agencies (such as the United Nations Fund for Drug Abuse Control), that aim at providing alternative commercial crops for farmers growing coca (in Peru) or poppies (in Burma).

Since 1978, the State Department's Bureau of International Narcotics Matters (INM) has been responsible for foreign production control efforts, through diplomatic efforts and targeted economic assistance programs. INM had a budget appropriation of \$38 million in Fiscal Year 1983.

The Drug Enforcement Administration also assists foreign governments in law enforcement activities aimed at refining and distribution, particularly in source countries. It trains foreign police at U.S. facilities, and has offices in major source and transshipment countries to help target traffickers particularly significant for the U.S. Its international activities were budgeted at \$31 million in FY 1983. Total federal expenditures on all drug programs were about \$1 billion that year.

The small expenditures on the international programs have sometimes led Congress to charge that the Executive Branch is not taking the problem seriously enough. Indeed, in 1980 Congress forced the State Department to allocate \$7 million to Colombia, at a time when INM believed, correctly as it turned out, that the Colombian drug enforcement agencies would not accomplish much with the money. Generally, INM has been consistent in its view that the most important tools are diplomatic rather than financial. The second

head of INM, Dominick DiCarlo, asserted, with the concurrence of the head of DEA, that one dollar spent overseas on crop reduction was worth ten dollars spent domestically on the enforcement of drug laws. But he seems also to have understood that this may be the result of picking foreign opportunities carefully. It does not mean that there are many remaining opportunities for productive expenditures overseas.

Officials in INM base their optimism on the apparent success of diplomatic efforts. They claim that there is increased interest on the part of senior U.S. officials in raising these issues with their foreign counterparts, and that those counterparts are more willing to follow up on promises of action. The recent success of the Pakistani government in greatly reducing the illicit cultivation of poppies in some areas of the country is cited as an instance of effective diplomatic pressure. Though a total national ban on opium production has not been implemented, new laws, increased police efforts, and low producer prices had reduced estimated production levels to less than 45 tons in 1984, compared to 800 tons in 1979.

In some countries that produce opium, local increases in heroin use may have increased the willingness of governments to implement crop reduction and traffic control programs. While estimates of the addict populations in countries such as Thailand and Pakistan are extremely unreliable, it is clear that these countries believe they have a substantial problem. INM cites an estimate of 50,000 Pakistani heroin addicts, where there were almost none ten years ago. With a certain amount of skepticism, INM cites a figure of 400,000 to 600,000 Thai addicts, again an entirely new phenomenon. Domestic Colombian use of a dangerous combination of marijuana and cocaine residue is a cause of concern in that country.

Down on the farm

Despite the increasing concern with local drug use, there are many impediments to successful crop reduction efforts in producer countries. The first is that farmers usually do not have an easy alternative commercial crop. Currently, poppies may indeed be the only crop that can be produced in remote areas of Burma and Thailand to provide steady cash income. Everyone recognizes that increased law enforcement efforts against farmers will have little effect unless other productive opportunities are provided. This takes many years. The basic strategy of the UN Fund for Drug Abuse Control (UNFDAC) and the Thai government is to develop these alternative cash crops.

In most cases, this requires, among other things, the creation of

a new infrastructure (roads in particular) to permit the efficient delivery of bulkier and more perishable crops to distant markets. Farmers must also learn how to produce crops entirely new to their regions, such as cacao in the Upper Huallaga valley of Peru and kidney beans in the Chiang Mai area of Thailand. Whether these efforts will turn out to be sufficient is a matter of speculation. (Indeed, subsidized irrigation and fertilizer might have the perverse effect of increasing the productivity of illicit farming.) The programs in Thailand show promise but encompass a population of only a few thousand, and there are no instances in which crop substitution has actually been achieved on a large scale.

It should be noted that there is little talk of crop substitution for marijuana producers; enforcement alone is supposed to deal with the problem. Two arguments have been made for this policy. First, marijuana is grown solely for illicit commercial purposes, whereas poppies and coca have licit uses as well. Thus, one can simply spray all marijuana fields without worrying whether one or another might in fact be legal. This would not work in Peru, where there are some 9,000 licenses for coca production. Second, producers of marijuana are "mercenary"; they are not peasant farmers without a cash crop alternative. As one official suggested, it would scarcely be good policy to reward new marijuana source countries by granting them agricultural development assistance.

A second major obstacle to crop reduction is the generally weak control of governments in the producing areas. The Thai and Burmese governments have long been fighting insurgent movements in the hills that are home to the poppy growers. The Peruvian government has little effective control in some of the very remote regions that produce coca leaves. Similar statements are true for Afghanistan, Pakistan, Bolivia, and Laos, at least. Even where governments are strongly motivated and have sensible plans, they are likely to have great difficulty in implementing them.

Third, some major source countries, notably Iran and Afghanistan, have hostile relations with the United States. Though they may adopt policies to reduce domestic consumption, they are unconcerned about U.S. imports. Fourth, U.S. relations with most of the other countries involved in opium production are very complex. The United States would like Pakistan to adopt certain policies with respect to Afghanistan. It seeks to retain bases in Thailand. It would like Colombia to take particular positions with respect to Central America. A DEA official explaining the relatively light pressure being exerted on Jamaica was quoted in the *New York Times* as say-

ing, "Some analysts believe that if you came in with a severe narcotics program, you could affect the existence of the present government . . . Drugs are a serious problem. But communism is a greater problem." Given all these considerations, and the disinclination of diplomats and policymakers to concern themselves with such unseemly matters as the drug trade, it is difficult to put consistent pressure on source country governments.

Finally, and perhaps most important, the set of producer countries is not fixed. New producers emerge all the time. Brazil is apparently witnessing a rapid growth in coca and marijuana production. Until five years ago, these crops were minor and were used only for peasant consumption; by 1983, the Brazilian authorities claimed to have destroyed or seized nearly 2,000 tons of marijuana (almost 30 percent of the best estimate of U.S. consumption). Belize, an enclave of 150,000 people in Central America, may have produced 700 tons of marijuana in 1983, all for export, where there was none five years earlier. Pakistan had little opium production prior to 1948, the British being concerned to protect the markets of opium farmers in other parts of British India. Yet by the mid-1950s, there was substantial licit and illicit opium production in the North West Frontier Province. There is no reason to believe that other countries, with large impoverished peasant populations and weak central governments, would not soon become significant producers if the current producers greatly cut back. A large or traditional local market turns out not to be essential. In the instance of marijuana, we must also note the rapid growth of very high quality domestic U.S. supplies.

The lack of motivation may be equally important. The national governments in many of these countries believe that the political costs of reducing the cash income of farmers are very high. Indeed, in describing the recent Bolivian crack-down on coca producers in the Chapare region, involving the moving in of troops, the *New York Times* reported: "On August 17, less than a week after the Chapare occupation, the government was forced to drop the peso's official value by more than half, from 2,000 to \$1 to 5,000. And in Bolivia, the world's most politically unstable country, that is enough to start talk of a coup." Governments dealing with the enforced stringencies of the IMF are likely to give pause to efforts that will add to their domestic economic worries. The extent to which foreign exchange earnings from drug exports matters is unclear: In most situations only a small share of these earnings enter the official accounts, but some certainly does.

The international pipeline

Crop reduction is touted as a goal by the United States because it is assumed that the less each source country produces, the less will be exported to America. Clearly, if *none* is produced, then none can be exported. But it is also plausible that quite large reductions (or increases) in any particular country's production will have little impact on exports to the U.S.

We start with the observations on the price of opium in source countries relative to the price of heroin in the U.S. As we have seen the ten kilograms of opium in Thailand needed to make one kilogram of heroin cost, at most, \$1,000. If that price fell to \$100 or rose to \$5,000, it would have little effect on the price of heroin delivered to the U.S. (roughly \$200,000 per kilogram at the importation level). Yet the effect of crop reduction, short of elimination, is simply to raise local prices.

Moreover—and contrary to what we would expect in a smoothly working international market—it appears that quite large differences in source country prices for particular drugs have little effect on the composition of U.S. imports from country to country. For example, in the oil market Nigeria has only to raise its price by 1 percent to lose a large share of its sales; its customers have little hesitation in shifting to other suppliers. Yet the bazaar price for opium in Burma can be half that in Pakistan without any great shift in the origins of American heroin imports.

One plausible explanation for this is that the price of a drug from a particular country is not determined chiefly by source country price, but by the availability of efficient international distribution networks. This is certainly consistent with the fact that most of the export price of drugs represents payments to couriers and dealers for incurring risks. For example, the essential characteristic of relatively cheap Mexican opium and heroin was not the price of opium in Mexico (which was high relative to other producer countries), but the efficient Mexican networks for distribution. Reducing the supply in Mexico—as was achieved—did have the effect of shutting off the pipeline. But if it were easy to smuggle heroin *into* Mexico, the loss of this local production would have been of little consequence for the U.S.: The cheap distribution networks would remain. As it turns out, the Mexican government is reasonably effective at making it risky to bring heroin into that country, so the trafficking networks have been thwarted.

Similarly, the increased availability of Southwest Asian heroin in Western Europe and the U.S. shortly after 1979 may have had

less to do with the price of opium in the local markets than with the growing density of traffic from Southwest Asia to Western Europe. Pakistan has substantial expatriate communities in Britain and West Germany. There are also large communities of Armenians and Lebanese in Europe and Iranian immigration to the U.S. suddenly increased after 1977. These provide broad pipelines, so to speak, within which to hide the movement of drugs.

These broader pipelines have three important advantages for drug smuggling. First, they make it more likely that the courier will not be detected, because surveillance decreases in intensity as the general traffic from a particular source country increases. If there is only one flight each day from Karachi to London, then it is possible to scrutinize every vaguely suspicious looking passenger; if there are ten per day, this becomes much more difficult and expensive.

Second, the probability of finding a courier able and willing to carry the drugs increases with the size of the pipeline. When the only Pakistanis travelling to London are well-to-do tourists, it will probably be hard to find a courier. The lone peasant on a plane filled by the wealthy might well get caught. But when there is a steady flow of poor migrants, it will be easy to find and conceal a courier within the flow.

Third, if there is a large population of immigrants from the source country in the consuming country, it is more likely that the exporter can find a local high-level distributor. The more Pakistanis resident in London, the higher the probability that a Pakistani exporter can find someone there who will know an English distributor.

If this is so, then we must ask why there are relatively sudden changes in the distribution patterns to source countries. After all, the immigrant flows and the heaviness of traffic from source to consuming countries change relatively slowly; the middle-class Iranian exodus of 1978-80 was unusual. There was not a sudden increase in the number of Pakistanis in Western Europe around 1980, which might explain the great increase in the flow of heroin along that path.

The pipeline effect is likely to be nonlinear. There are thresholds—in number and composition of travellers and in the size of the local community—which, once passed, may lead to rapid changes in the efficiency of the distribution through a particular pipeline. The international cocaine market provides some evidence consistent with this view. Most cocaine entering the U.S. comes from Colombia, though the raw material is produced mostly in Peru and Bolivia. The advantage of Colombia as an export source is partly that it is the largest South American source of migrants to the U.S. On the

other hand, most cocaine exported to Europe leaves from Brazil, which has the largest migrant population in Europe.

Pyrrhic victories

With this view in mind, let us turn to two of the "success stories" in the U.S.'s international drug control program:

Turkey was believed to be the source of 80 percent of the opium used for American heroin supply in the late 1960s. The U.S. government offered to provide compensation for licit Turkish poppy growers if the Turkish government would prohibit all poppy farming. An agreement was signed in 1971, committing the U.S. Treasury to pay \$35 million to Turkey. It appears that the ban was successful and that little opium was grown in Turkey during the period it was in force.⁴

The ban lasted less than two years. The U.S. delivered about \$23 million, but Turkey's internal politics led it to abrogate the ban in 1974. Instead, the Turkish government then imposed stringent controls, designed to assure that there was little leakage from the legal opium market. The controls, unhindered by American notions of due process and individual justice, seem to have been successful. A major instrument is the threat to destroy the authorized poppy crops of all members of a village if even one member is found to be growing unauthorized poppies. This provides a strong incentive for self-policing at the village level. Certainly, though Turkey remains a major transshipment country for heroin from Southwest Asia, there is a widespread belief that it produces negligible amounts of opium for the illicit market.

What was the consequence for the United States of the successful Turkish ban? The immediate effect was significant; purity declined and prices rose. However, it appears that this shortfall in supply was quickly offset by the development of Mexican heroin production. It is quite plausible that this was a simple coincidence, but most observers believe that it was a response to the opportunity provided by the Turkish ban. There is no evidence that the ban led to more than a very brief reduction in the availability of heroin in the United States, and it has been estimated that by 1974 Mexican heroin accounted for 80 percent of total U.S. consumption. Particularly alarming was the fact that Mexico had no domestic opium or heroin market; production was intended solely for export to the U.S.

⁴ The tangled web of events surrounding the Turkish poppy ban is well-described in James Spain, "The United States, Turkey, and the Poppy," *The Middle East Journal*, 1983.

The second success story concerns the subsequent U.S. efforts with Mexico. In 1973, the United States and Mexico entered into an agreement. The U.S. provided assistance to the Mexican government to eradicate poppy fields, mostly located in mountainous and isolated areas in the north of the country. The United States thus supplied equipment, principally helicopters and planes, training, and some herbicide, and the result was that heroin production in Mexico fell 75 percent from 1976 to 1980.

This does appear to have had an impact on the availability of heroin in the U.S. A number of indicators point to a decline in heroin use from 1975 to 1979: The official estimate of the number of addicts fell by 20 percent, prices rose sharply, and purity fell. It is difficult to identify any difference in domestic enforcement that might account for the changes. Not until 1980 did U.S. heroin consumption approach its former levels.

At its peak, Mexico never produced more than 5 percent of world opium supplies. It was, moreover, a very high-cost producer, with farmgate prices at least ten times those of other source countries. But it was a low-cost source country for U.S. heroin addicts, because the costs of bringing heroin into the U.S. were so low. This was a function of the porousness of the U.S.-Mexican border and of the density of the cross-border traffic within which the heroin moved.

Why did no other producer country take Mexico's place during these four years? There are some special circumstances that may have had a role. Most important was the final departure of U.S. armed forces from South Vietnam, which shut down a particularly efficient pipeline for Southeast Asian heroin into the U.S. The Turkish poppy ban and the end of the trafficking system known as the French Connection also combined to eliminate an important distribution network. Certainly it was not the lack of opium in world markets from 1976 to 1978 that led to the relative tightness of the U.S. heroin market: Pakistan, for example, already had a bumper crop in 1978, well before the new influx of the Southwest Asian heroin into the United States.

The third success story concerns Mexican marijuana, which dominated the U.S. market in the early 1970s. Paraquat spraying, with the same equipment that the U.S. had provided for opium eradication, dried up U.S. demand for Mexican marijuana, since there was some evidence that smoking cannabis that had been sprayed with that pesticide was seriously harmful to the user's health. The share of the U.S. marijuana market supplied from Mexico fell dramatically. However, once again a new producer, Colombia, appeared

on the scene, this time so rapidly that there was no detectable interruption in supplies. Moreover, Colombian marijuana turned out to be of significantly greater potency.

The success of the Mexican and Turkish efforts suggests that rapid declines in individual source country production *can* be achieved. However, I think there are two important distinctions between Turkey and Mexico, on the one hand, and most other source countries on the other. First, in both nations the central government's authority in the growing areas was very strong. In the seven provinces of central Turkey—the traditional opium producers—the national government could enforce laws with little risk of revolt. The same cannot be said, for example, of the coca producing areas of Peru—currently the operating territory of the Shining Path guerrillas—or the opium regions of Burma, controlled by insurgent armies. Though the northern provinces of Mexico are rugged and difficult to police, there was no political threat arising from more stringent enforcement.

Second, the illicit drug revenues were not very important to the national or major regional economies of Turkey and Mexico. The Turkish government has been very careful to prop up prices for licit opium, creating thereby an enormous stockpile in order to maintain farm income. But the illicit market accounted for a relatively small share of the total revenues of the producing areas. The same was true for Mexico, but is not true for major areas of Peru, Bolivia, Burma, and Afghanistan, at least.

There are some surprising features of the ultimate failure of the Turkish opium ban and the Mexican marijuana spraying. First, new crops came on line elsewhere with unexpected speed. While we lack sufficient data to estimate how large an expansion took place in the relevant period, it appears that thousands of peasant farmers in Mexico (opium) and Colombia (marijuana) increased their acreage under drug cultivation within a few months in response to new income opportunities. This is rather sobering testimony to the adaptability and energy of these farmers, perhaps as encouraged by drug entrepreneurs.

Second, new export-import channels developed very rapidly. Prior to 1970, there seems to have been a trivial amount of Mexican heroin exported to the United States; by 1974, such trafficking networks were able to accommodate a very substantial amount of heroin. In the case of Colombian marijuana, it is possible that the already substantial cocaine trade provided a base for the sudden expansion of the marijuana exporting. However, the two drugs usu-

ally travel by different routes; cocaine is typically flown in, while marijuana most often comes in by small boat. Trafficking organizations, at least at the export level, seem to specialize in just one of the drugs, along with minor quantities of the other for personal use.

Third, locational advantage does not seem to be very important. Mexico is ideally placed for the export of marijuana, which is bulky: The border is long and no specialized equipment is necessary. Yet Colombian marijuana supplanted Mexican with no apparent loss of marketing efficiency.

The sad fact is that real long-term success stories have had nothing to do with international aid and law enforcement. Vastly more important is political and economic development. Macedonia was, prior to World War II, a significant producer of opium, mostly for domestic consumption. By the early 1970s, opium production had fallen to about 5 percent of its previous level. Some analysts plausibly attribute this to general economic progress in the producing area, which made the relatively labor-intensive crop less economically attractive.⁵ On the political side, we have the success of China in its southwest provinces. Though some minority groups still produce for their own consumption, the major production areas have been eliminated since the establishment of the present regime. That is probably the result of the central government's repugnance for all symptoms of decadence in the old culture. It is hard to draw any but the most pessimistic lessons from these two examples, at least for the design of drug enforcement assistance programs.

Placebo policies

Congress has been frequently indignant about the lack of progress in curtailing foreign production and exports to the U.S. Statutory restrictions have been placed on U.S. aid to those nations involved in drug production, but it has been difficult to implement these restrictions. The complexity of U.S. relations with most other nations, as well as the difficulty of determining just how seriously these foreign governments are in fact taking the problem, have combined to prevent effective use of other aid programs to encourage crop reduction overseas. Only one country has ever been denied aid as a consequence of its failure to cut back drug production: In late 1980, aid to the corrupt Bolivian regime of General Garcia Meza was suspended, to be resumed in 1983 following the election of President Siles Zuazo.

⁵ Bruun, Kettl, Lynn Pan, and Ingemar Rexed, *The Gentleman's Club* (Chicago: University of Chicago Press, 1975).

Official documents—the 1982 White House *Drug Strategy*, the 1984 INM report to Congress—say all the right things. There are no illusions about the will and power of most of the relevant governments. It is noted that the United States is not on friendly terms with some of the critical producer countries. There is an awareness that the problem for individual countries is a long-term one; peasant farmers are understandably unconcerned about American drug use and are likely to be rather more efficient at opium, marijuana or coca production than at producing other, newer crops. But documents continue to advocate the same strategies—treaties, crop replacement, and so on.

It is unlikely that such policies will be successful in reducing American drug consumption. They ignore the realities of the world drug market. Many countries are sources for U.S. consumption, and exports to this country are affected at most only slightly by their total production. (In the case of Mexican opium, U.S. efforts were able to reduce total production so substantially that there was simply too little heroin to deliver. But Mexico is distinct from most major source countries: the absence of an indigenous market meant that there was no local consumption base from which to bid for export material.)

In general, if it is the cost of distribution that determines a nation's exports to the United States, then two consequences must be noted. First, INM programs should focus on those countries that are the major sources for U.S. markets, not those that are simply the largest producers. There has already been some implicit recognition of this; the attention given to Mexico represented its importance to U.S. consumption, not to world production. Second, except where U.S. consumption is the bulk of the market, programs should focus on distribution to a greater extent than they do. Unfortunately, we have little idea of how to make distribution a more risky and expensive activity in other countries.

There are, despite this, good arguments for maintaining an international production control program. First, some success cannot be ruled out. The right set of ecological and political events might make it possible, through effective diplomacy, to cause a major short-term disruption in the U.S. drug market. For example, a drought in Afghanistan, continued success in crop substitution in Pakistan, and the installation of a more authoritarian regime in Thailand might make heroin somewhat scarce in the United States for two or three years, this being a good guess as to the time needed to increase production elsewhere and to establish the necessary traf-

ficking routes. Estimates of the annual social cost of drug abuse in the United States are highly speculative, but a figure in the tens of billions is not unreasonable. Spending a few million dollars annually for even a 1 percent probability of reducing that cost by \$10 billion or so is not unwise.

Second, the vast array of international treaties that attempt to restrict the diversion of licit production into illicit markets is worth preserving. Note here an important distinction between the U.S. and the source countries: Because the U.S. is wealthy and populated with recent immigrants from many different countries, it has relatively smoothly functioning traffic flows to a number of producer countries. That is not true for many of the source countries themselves. A drying-up of heroin supplies in Bangkok is unlikely to bring a flow of drugs to Thailand from Pakistan, let alone Mexico. Consequently, the major beneficiary of U.S. efforts at curtailing Thai drug production is Thailand itself, along with other countries in the region (most notably Malaysia, whose drug users are dependent on Thai opium). The U.S. commitment to reducing illicit production is important in these regions. Its abandonment might greatly increase the availability of drugs for illicit markets throughout the world, the social costs of which, for the source countries, are likely to be substantial.

These are arguments for maintaining the existing programs. They are also arguments for lowering the level of rhetoric, particularly in Congress, concerning the importance of these programs in helping deal with the domestic drug abuse problem. They are best seen as part of America's general foreign aid policy. They should be seen only secondarily as (very speculative) investments in the long-term reduction of the availability of drugs in the U.S.

